SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16
OF THE SECURITIES EXCHANGE ACT OF 1934

April 27, 2022

Commission File Number 001-36761

Kenon Holdings Ltd.

1 Temasek Avenue #37-02B
Millenia Tower
Singapore 039192
(*Address of principal executive offices*)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K on paper as permitted by Regulation S-T Rule 101(b)(1): ☐

Indicate by check mark if the registrant is submitting the Form 6-K on paper as permitted by Regulation S-T Rule 101(b)(7): ☐

EXHIBITS 99.1, 99.2, 99.3 AND 99.4 TO THIS REPORT ON FORM 6-K ARE INCORPORATED BY REFERENCE IN THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-201716) OF KENON HOLDINGS LTD. AND IN THE PROSPECTUSES RELATING TO SUCH REGISTRATION STATEMENT.

Kenon Holdings Ltd. ("**Kenon**") will hold its Annual General Meeting of Shareholders on May 19, 2022 at 4 p.m. (SGT) (the "**Annual General Meeting**"). In connection with the Annual General Meeting, Kenon will mail to its beneficial shareholders on or about April 28, 2022, and its shareholders of record (members) on April 27, 2022, (i) a Proxy Statement, dated as of the date hereof (the "**Proxy Statement**"), (ii) a Notice of Annual General Meeting of Shareholders, dated as of the date hereof, and (iii) the 2021 Annual Report comprising the Directors' Statement and the Singapore Statutory Financial Statements for the financial year ended December 31, 2021, attached hereto as Exhibits 99.1, 99.2 and 99.3, respectively.

Kenon has also made available a Proxy Card, attached as Exhibit 99.4 to this Report on Form 6-K, which is to be completed according to the instructions set forth in the Proxy Statement; holders of Kenon's shares should review the instructions set forth in the Proxy Statement in order to vote their Kenon shares at the Annual General Meeting.

Exhibits

99.1	Proxy Statement, dated as of April 27, 2022
99.2	Notice of Annual General Meeting of Shareholders, dated as of April 27, 2022
99.3	2021 Annual Report comprising the Directors' Statement for Kenon Holdings Ltd. and the Singapore Statutory Consolidated Audited Financial Statements of Kenon Holdings Ltd. for the Financial Year ended December 31, 2021
99.4	Proxy Card for Kenon Holdings Ltd.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	KENON HOLDINGS LTD.
Date: April 27, 2022	By: /s/ Robert L. Rosen
	Name: Robert L. Rosen
	Title: Chief Executive Officer

Exhibit 99.1

KENON HOLDINGS LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No. 201406588W)

PROXY STATEMENT
for the
ANNUAL GENERAL MEETING
of
KENON HOLDINGS LTD.

To Be Held on May 19, 2022
4 p.m. (Singapore time) at
1 Temasek Avenue #37-02B, Millenia Tower, Singapore 039192

PART I – INFORMATION ABOUT THE ANNUAL GENERAL MEETING

We are furnishing this Proxy Statement, dated as of April 27, 2022 (the "**Proxy Statement**"), in connection with the solicitation by our Board of Directors (the "**Board**") of proxies to be voted at the Annual General Meeting of our shareholders, to be held on May 19, 2022 (the "**AGM**"), or at any adjournments thereof, for the purposes of voting on the proposals to be considered at the AGM (the "**Proposals**"), as set forth in the Notice of Annual General Meeting of Shareholders, dated as of April 27, 2022, accompanying this Proxy Statement (the "**AGM Notice**"). Unless the context requires otherwise, references in this Proxy Statement to "the Company", "Kenon", "we", "us", "our" and similar terms, shall mean Kenon Holdings Ltd., together with its subsidiaries and associated companies.

This Proxy Statement and the AGM Notice are each being published for the benefit of all holders of Kenon's ordinary shares, no par value ("**Kenon Shares**") ("**Kenon Shareholders**"), are being posted on Kenon's website, will be furnished to the U.S. Securities and Exchange Commission (the "**SEC**") on a Report on Form 6-K, and will also be filed with the Tel Aviv Stock Exchange (the "**TASE**") on an Immediate Report. If you are a beneficial shareholder holding Kenon Shares other than in registered form as a "shareholder of record", that is, if you hold Kenon Shares in "street name" as, or through, a participant in the Depositary Trust Company (the "**DTC**") (which includes those Kenon Shareholders that hold Kenon Shares through the TASE), Kenon has fixed the close of business (EST) on April 27, 2022, (the "**Record Date**") as the record date for determining whether you are entitled to receive printed copies of this Proxy Statement and the AGM Notice.

This Proxy Statement and the AGM Notice will be mailed to beneficial shareholders as of the Record Date, on or about April 28, 2022, and to shareholders of record (members) on April 27, 2022. Kenon will bear the cost of the preparation and mailing of these proxy materials and the solicitation of the proxies and will, upon request, reimburse banks, brokerage houses, other institutions, nominees, and fiduciaries for their reasonable expenses in forwarding these solicitation materials to Kenon Shareholders.

Quorum and Required Vote.

Representation of not less than 33 1/3 per cent. of the total number of issued and fully paid Kenon Shares as at the date of the AGM, in person or by proxy, is required to constitute a quorum. Accordingly, it is important that your shares be represented at the AGM.

The affirmative vote by a show of hands of at least a majority of the Kenon Shareholders present and voting, or, if a poll is demanded by the chairman of the AGM (the "**Chairman of the AGM**") or, among other circumstances set forth in Article 63 of our Constitution (the "**Constitution**"), by holders of at least 5 per cent. of the total number of our paid-up shares, a simple majority of the Kenon Shares voting, is required at the AGM, to re-elect the Directors nominated pursuant to Proposals 1(a) – 1(h), to re-appoint KPMG LLP as our statutory Auditor pursuant to Proposal 2, and to approve the ordinary resolutions contained in Proposals 3, 4, and 5. The affirmative vote by a show of hands of a majority of not less than three-fourths of the Kenon Shareholders present and voting, or, if a poll is demanded by the relevant person(s) as described above, a majority of not less than three-fourths of the Kenon Shares voting, is required at the AGM, to approve the special resolution contained in Proposal 6. The Chairman of the AGM will demand a poll in order to enable the Kenon Shares represented in person or by proxy to be counted for voting purposes.

Abstentions and Broker Non-Votes.

Under the laws of Singapore, abstentions and "broker non-votes" are considered present and entitled to vote for the purpose of determining whether a quorum is present at the AGM.

Abstentions will not be counted in the tabulation of votes cast on a Proposal and are therefore not counted for purposes of determining whether a Proposal has been approved.

A "broker non-vote" will not be counted in the tabulation of votes cast on the relevant Proposal and is therefore not counted for purposes of determining whether such Proposal has been approved. A "broker non-vote" occurs when a bank, broker or other nominee holding shares on behalf of a beneficial owner may not vote ordinary shares held by it because it (i) has not received voting instructions from the beneficial owner of those shares and (ii) lacks discretionary voting power to vote those shares. Please note if you are a beneficial owner, your broker, bank, nominee or other institution is only entitled to vote your shares on "routine" matters if it does not receive voting instructions from you. The Proposals listed below are not "routine" matters for purposes of the broker vote:

- Proposals 1(a) – 1(h) – Re-Election of Directors;
- Proposal 3 – To Authorize the Ordinary Share Issuances;
- Proposal 4 – To Authorize the Grant of Awards Under the Kenon Holdings Ltd. Share Incentive Plan 2014 ("**SIP 2014**") and/or Options Under the Kenon Holdings Ltd. Share Option Plan 2014 ("**SOP 2014**") and the Allotment and Issuance of Ordinary Shares;
- Proposal 5 – To Approve the Renewal of the Share Purchase Authorization; and
- Proposal 6 – To Approve the Capital Reduction in Respect of the Distribution.

Persons Entitled to Vote on the Proposals at the AGM.

Shareholders of Record: Kenon has convened an AGM to be held on May 19, 2022, to consider and vote upon the Proposals. You are entitled to vote at the AGM if you are a shareholder of record (member) holding Kenon Shares in your own name and registered in the Branch Register of Members maintained by Computershare Trust Company, N.A. ("**Computershare**"), as at the date of the AGM. Each outstanding Kenon Share that you own entitles you to one vote on a poll.

<u>Beneficial Shareholders</u>: If you hold Kenon Shares other than in registered form as a "shareholder of record" (i.e. if you hold Kenon Shares in "street name" as, or through, a participant in the DTC (which includes those Kenon Shareholders that hold Kenon Shares through the TASE)), in order for your vote to be counted at the AGM, you must have been a Kenon Shareholder as at, and with effect from, the Record Date.

If you have sold or transferred all of your Kenon Shares, you should immediately forward this Proxy Statement to the purchaser or transferee, or to the broker, bank, nominee, or other institution through whom the sale was effected, for onward transmission to the purchaser or transferee.

If you become a beneficial holder of Kenon Shares after the Record Date, but before the date of the AGM, and you wish to vote your Kenon Shares, you must become a "shareholder of record" prior to the AGM and vote as a "shareholder of record" according to the manner of voting set forth below. Please contact your broker, bank, nominee, or other institution holding your Kenon Shares if you wish to become a "shareholder of record."

Manner of Voting.

Whether you plan to attend the AGM or not, we urge you to vote by proxy.

<u>Shareholders of Record</u>: A shareholder of record (member) entitled to attend and vote at the AGM is entitled to appoint a proxy, or proxies, to attend and vote on his or her behalf. A proxy need not be a shareholder of record (member). **To vote by proxy, you should complete, sign and date the enclosed proxy card and return it promptly to Computershare in accordance with the instructions set forth in the AGM Notice, not less than 48 hours before the time appointed for holding the AGM** (or within such other time as may be required by the Companies Act 1967 (the "**Singapore Companies Act**")).

Where a member appoints two or more proxies, the appointments shall be valid only if he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy. In the case of a joint appointment of two proxies, the Chairman of the AGM will be a member's proxy by default in relation to the number of shares represented by such proxy card if either or both of the proxies appointed does/do not attend the AGM. In the case of an appointment of two proxies in the alternative, the Chairman of the AGM will be a member's proxy by default in relation to the number of shares represented by such proxy card if both the proxies appointed do not attend the AGM.

Returning the proxy card will not affect your right to attend the AGM, and your proxy will not be used if you are personally present at the AGM or have, pursuant to the procedures set forth below, informed Kenon in writing prior to the voting that you wish to vote your Kenon Shares in person. Shareholders who intend to vote in person must take note of the advisory on *Measures to be taken at AGM to Minimize Risk of Spread of COVID-19* below.

The proxy card must be signed under the hand of the appointor or of his attorney duly authorized in writing. Where the proxy card is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorized. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM.

If you sign the proxy card, but do not make specific choices, the proxy holder will vote your Kenon Shares as recommended by Kenon's Board.

<u>Beneficial Shareholders (New York Stock Exchange (the "NYSE"))</u>: If you hold Kenon Shares other than in registered form as a "shareholder of record" (i.e. if you hold Kenon Shares in "street name" as, or through, a participant in the DTC, but do not hold your Kenon Shares through the TASE), you have the right to instruct your broker, bank, nominee or other institution on how to vote the Kenon Shares in your account. **Your broker, bank, nominee or other institution will send a voting instruction form for you to use to direct how your Kenon Shares should be voted**. You may not vote your Kenon Shares in person at the AGM unless you (i) obtain a legal proxy from the DTC (in compliance with the voting requirements under Singapore law) through your broker, bank, nominee, or other institution that holds your Kenon Shares, giving you the right to vote the Kenon Shares instead of the broker, bank, nominee, or other institution holding your Kenon Shares, (ii) bring a letter or recent account statement from such broker, bank, nominee, or other institution that confirms that you are the beneficial owner of the Kenon Shares, and (iii) bring a picture identification, such as a valid driver's license or passport, for purposes of personal identification. Shareholders who intend to vote in person must take note of the advisory on *Measures to be taken at AGM to Minimize Risk of Spread of COVID-19* below.

If you do not intend to vote in person at the AGM, your Kenon Shares must be voted no less than 48 hours prior to the AGM (or within such longer period prior to the AGM as may be specified by the DTC's, or the DTC participants', procedures).

<u>Beneficial Shareholders (TASE)</u>: If you hold Kenon Shares other than in registered form as a "shareholder of record" and your Kenon Shares are held through the TASE, you are regarded as a beneficial holder of Kenon Shares and you may only vote your shares in one of the following ways: **(a) sign and date a proxy card in the form filed by Kenon on MAGNA, the distribution site of the Israel Securities Authority, at www.magna.isa.gov.il ("MAGNA"), on April 27, 2022 and attach to it a proof of ownership certificate from the TASE Clearing House Member through which your Kenon Shares are held, which certificate indicates that you were the beneficial owner of such Kenon shares as of the Record Date, and return the proxy card, along with the proof of ownership certificate, to Kenon c/o Gornitzky & Co. via fax to +972-3-560-6555, Attention: Ari Fried, Adv. or by e-mail to: kenonproxy@gornitzky.com**, or (b) if you choose to vote in person at the AGM, you must bring the proof of ownership certificate from the TASE's Clearing House Member through which your Kenon Shares are held, which certificate indicates that you were the beneficial owner of the shares as of the Record Date, as well as a picture identification, such as a valid driver's license or passport, for purposes of personal identification. In addition, you will also need to request a legal proxy from the DTC (in compliance with the voting requirements under Singapore law). Shareholders who intend to vote in person must take note of the advisory on *Measures to be taken at AGM to Minimize Risk of Spread of COVID-19* below. If you do not intend to vote in person at the AGM, your Kenon Shares must be voted no less than 48 hours prior to the AGM (or within such longer period prior to the AGM as may be specified by the DTC's, the DTC's participants', or the TASE's procedures).

Revocation of Proxy.

<u>Shareholders of Record</u>: If you are a "shareholder of record", your proxy may be revoked at any time prior to the time it is voted by (i) providing appropriate written notice to Proxy Services c/o Computershare Investor Services, PO BOX 505008, Louisville, KY, 40233-9814, UNITED STATES, no less than 48 hours prior to the AGM or (ii) attending the AGM and voting in person.

<u>Beneficial Shareholders (NYSE)</u>: If your Kenon Shares are held in "street name" through a broker, bank, nominee, or other institution (other than those Kenon Shareholders that hold Kenon Shares through the TASE), please contact the broker, bank, nominee or other institution which holds your Kenon Shares to determine how to change or revoke your voting instructions.

<u>Beneficial Shareholders (TASE)</u>: If you hold Kenon Shares through the TASE, you may revoke such proxy at any time prior to the time it is voted by (i) communicating such revocation in writing to Kenon or by executing and delivering a later-dated proxy to Kenon c/o Gornitzky & Co. via fax to +972-3-560-6555, Attention: Ari Fried, Adv. or by e-mail to: kenonproxy@gornitzky.com, no less than 48 hours prior to the AGM or (ii) attending the AGM and voting in person, subject to the satisfaction of the conditions set forth in "Manner of Voting – Beneficial Shareholders (TASE)" above.

Measures to be taken at AGM to Minimize Risk of Spread of COVID-19.

In view of the ongoing COVID-19 situation in Singapore, the Company reserves the right to take precautionary measures as appropriate, including any prevailing precautionary measures as may be required or recommended by government agencies at the material time to minimize the risk of spread of COVID-19, in order to minimize any risk to shareholders and others attending the AGM. Such measures, to the extent applicable, may include the following:

1. Vaccination-Differentiated Safe Management Measures (i.e. all attendees must be fully vaccinated, recovered from COVID-19 in the past 180 days, or medically ineligible for vaccination).

2. Safe management measures which may, *inter alia*, require the Company to restrict the number of persons attending the AGM in person.

Shareholders and other attendees who are feeling unwell are advised not to attend the AGM. Shareholders who wish to exercise their vote but are concerned about the COVID-19 situation are encouraged to vote by appointing the Chairman of the AGM as proxy instead of voting in person at the AGM.

The Company seeks the understanding and cooperation of all shareholders and other attendees to minimize the risk of community spread of COVID-19.

As of the date of this Proxy Statement, Kenon does not intend to present, and has not been informed that any other person intends to present, any business for action, other than the Proposals set forth in this Proxy Statement and in the AGM Notice.

Registered Office.

The mailing address of our registered office is 9 Raffles Place, #27-00, Republic Plaza, Singapore 048619.

Singapore Financial Statements; Monetary Amounts.

We have prepared, in accordance with Singapore law, Singapore statutory financial statements, which are included with the annual report to be delivered to Kenon Shareholders prior to the date of the AGM, and which will be furnished to the SEC on a Report on Form 6-K, and will also be filed with the TASE on an Immediate Report. Except as otherwise stated herein, all monetary amounts in this Proxy Statement have been presented in U.S. dollars.

PART II – PROPOSALS TO BE CONSIDERED AT THE ANNUAL GENERAL MEETING

PROPOSALS 1(a) – 1(h): RE-ELECTION OF DIRECTORS

Article 94 of the Constitution requires that at each annual general meeting, all Directors for the time being shall retire from office. Under Article 95 of the Constitution, retiring Directors are eligible for re-election. Accordingly, all of our Directors, namely Mr. Cyril Pierre-Jean Ducau, Mr. Antoine Bonnier, Mr. Laurence N. Charney, Mr. Barak Cohen, Mr. N. Scott Fine, Dr. Bill Foo, Mr. Aviad Kaufman and Mr. Arunava Sen, will be retiring as Directors. All of our Directors, namely Mr. Cyril Pierre-Jean Ducau, Mr. Antoine Bonnier, Mr. Laurence N. Charney, Mr. Barak Cohen, Mr. N. Scott Fine, Dr. Bill Foo, Mr. Aviad Kaufman and Mr. Arunava Sen, will be standing for re-election as Directors at this AGM.

As of the date of this Proxy Statement, the Board is not aware of any nominee who is unable or will decline to serve as a Director.

Set forth below are the names of, and certain other information concerning, the nominees for election as Directors at the AGM:

Cyril Pierre-Jean Ducau. Mr. Ducau is the Chief Executive Officer of Ansonia Holdings Singapore B.V. and the Chief Executive Officer of Eastern Pacific Shipping Pte Ltd, a leading shipping company based in Singapore. He is a member of the board of directors of Ansonia Holdings Singapore B.V. as well as other private companies, each of which may be associated with the same ultimate beneficiary, Mr. Idan Ofer. He is also currently an independent director of the Singapore Maritime Foundation and of the Global Centre for Maritime Decarbonisation Limited, which were established by the Maritime and Port Authority of Singapore. He is also a member of the board of directors of Gard P&I (Bermuda) Ltd, a leading maritime insurer, and the Chairman of Cool Company Ltd, a public shipping company. He was previously Head of Business Development of Quantum Pacific Advisory Limited in London and acted as Director and then Chairman of Pacific Drilling SA until 2018. Prior to joining Quantum Pacific Advisory Limited in 2008, Mr. Ducau was Vice President in the Investment Banking Division of Morgan Stanley & Co. International Ltd. in London. Mr. Ducau graduated from ESCP Europe Business School (Paris, Oxford, Berlin) and holds a Master of Science in Business Administration and a Diplom Kaufmann.

Antoine Bonnier. Mr. Bonnier is currently a Managing Director of Quantum Pacific (UK) LLP and serves as a member of the board of directors of Club Atletico de Madrid SAD, of Competitive Power Ventures Inc., and of OPC Energy Ltd., each of which may be associated with the same ultimate beneficiary, Mr. Idan Ofer. Mr. Bonnier was previously a member of the investment team of Quantum Pacific Advisory Limited from 2011 to 2012. Prior to joining Quantum Pacific Advisory Limited in 2011, Mr. Bonnier was an Associate in the Investment Banking Division of Morgan Stanley & Co. During his tenure there, from 2005 to 2011, he held various positions in the Capital Markets and Mergers and Acquisitions teams in London, Paris and Dubai. Mr. Bonnier graduated from ESCP Europe Business School and holds a Master of Science in Management.

Laurence N. Charney. Mr. Charney currently serves as the chairman of our audit committee. Mr. Charney retired from Ernst & Young LLP in June 2007, where, over the course of his more than 37-year career, he served as Senior Audit Partner, Practice Leader and Senior Advisor. Since his retirement from Ernst & Young, Mr. Charney has served as a business strategist and financial advisor to boards, senior management and investors of early stage ventures, private businesses and small to mid-cap public corporations across the consumer products, energy, high-tech/software, media/entertainment, and non-profit sectors. His most recent directorships also include board tenure with Marvel Entertainment, Inc. (through December 2009) and TG Therapeutics, Inc. (from March 2012 through the current date). Mr. Charney has recently joined the board of directors, as audit committee chair, of Apifiny Group Inc. (a private company in process of merging with a public company special acquisition corporation). Mr. Charney is a graduate of Hofstra University with a Bachelor’s degree in Business Administration (Accounting), and has also completed an Executive Master’s program at Columbia University. Mr. Charney maintains active membership with the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants.

Barak Cohen. Mr. Cohen is a Managing Director at Quantum Pacific (UK) LLP and a board member of Qoros Automotive Co., Ltd., each of which may be associated with the same ultimate beneficiary, Mr. Idan Ofer. In September 2018, Mr. Cohen was appointed to the board of directors of Kenon, having served as Co-CEO of Kenon until that time. Prior to serving as Kenon's Co-CEO, Mr. Cohen served as Kenon's Vice President of Business Development and Investor Relations from 2015 to September 2017. Prior to joining Kenon in 2015, Mr. Cohen worked in various capacities at Israel Corporation Ltd. since 2008 most recently as Israel Corporation Ltd.'s Senior Director of Business Development and Investor Relations. Prior to joining Israel Corporation Ltd., Mr. Cohen held positions at Lehman Brothers (UK) and Ernst & Young (Israel). Mr. Cohen holds Bachelor's degrees in Economics, summa cum laude, and Accounting & Management, magna cum laude, both from Tel Aviv University.

N. Scott Fine. Mr. Fine is the Chief Executive Officer and an Executive Director of Cyclo Therapeutics, Inc., a biotechnology company focused on developing novel therapeutics based on cyclodextrin technologies. Mr. Fine has been involved in investment banking for over 35 years, working on a multitude of debt and equity financings, buy and sell side mergers and acquisitions, strategic advisory work and corporate restructurings. Much of his time has been focused on transactions in the healthcare and consumer products area, including time with The Tempo Group of Jakarta, Indonesia. Mr. Fine was the lead investment banker on the IPO of Keurig Green Mountain Coffee Roasters and Central European Distribution Corporation, or CEDC, a multi-billion-dollar alcohol company. He was also involved in an Equity Strategic Alliance between Research Medical and the Tempo Group. Mr. Fine continued his involvement with CEDC, serving as a director from 1996 until 2014, during which time he led the CEDC Board's successful efforts in 2013 to restructure the company through a pre-packaged Chapter 11 process whereby CEDC was acquired by the Russian Standard alcohol group. Recently, Mr. Fine served as Vice Chairman and Chairman of the Restructuring Committee of Pacific Drilling SA from 2017 to 2018 where he successfully led the Independent Directors to a successful reorganization. He also served as Sole Director of Better Place Inc. from 2013 until 2015. In that role, Mr. Fine successfully managed the global wind down of the company in a timely and efficient manner which was approved by both the Delaware and Israeli courts. Mr. Fine devotes time to several non-profit organizations, including through his service on the Board of Trustees for the IWM American Air Museum in Britain. He and his wife, Cathy are also the Executive Producers of "The Concert for Newtown" with Peter Yarrow of Peter, Paul, and Mary. Mr. Fine has been a guest lecturer at Ohio State University's Moritz School of Law and Fordham University Law School.

Bill Foo. Dr. Bill Foo is a director and corporate advisor of several private, listed and non-profit entities, including Mewah International Inc., CDL Hospitality Trusts, Tung Lok Restaurants (2000) Ltd., M&C REIT Management Ltd, and is chairing the Salvation Army organization. In May 2017, Dr. Foo was appointed to the board of directors of Kenon, having served as a director of IC Power Ltd. between November 2015 and January 2018. Prior to his retirement, Dr. Foo worked in financial services for over 30 years, including serving as Chief Executive Officer of ANZ Singapore and South East Asia Head of Investment Banking for Schroders. Dr. Foo has also worked in various positions at Citibank and Bank of America and has been a director of several listed and government-related entities, including International Enterprise Singapore (Trade Agency), where he chaired the Audit Committee for several years. Dr. Foo has a Master's degree in Business Administration from McGill University and a Bachelor of Business Administration from Concordia University and an honorary Doctor of Commerce from James Cook University Australia.

Aviad Kaufman. Mr. Kaufman is the Chief Executive Officer of One Globe Business Advisory Ltd, the chairman of Israel Corporation Ltd., and a board member of ICL Group Ltd., OPC Energy Ltd. and other private companies, each of which may be associated with Mr. Idan Ofer. From 2017 until July 2021, Mr. Kaufman served as the Chief Executive Officer of Quantum Pacific (UK) LLP and from 2008 until 2017 as Chief Financial Officer of Quantum Pacific (UK) LLP (and its predecessor Quantum Pacific Advisory Limited). From 2002 until 2007, Mr. Kaufman fulfilled different senior corporate finance roles at Amdocs Ltd. Previously, Mr. Kaufman held various consultancy positions with KPMG. Mr. Kaufman is a certified public accountant and holds a Bachelor's degree in Accounting and Economics from the Hebrew University in Jerusalem (with distinction), and a Master's of Business Administration in Finance from Tel Aviv University.

Arunava Sen. Mr. Sen is Director of Coromandel Advisors Pte Ltd, a Singapore-based company that provides strategic and transactional advice to global investors in the infrastructure and clean energy sectors. In May 2017, Mr. Sen was appointed to the board of directors of Kenon, having served as a director of IC Power Ltd between November 2015 and January 2018. Between August 2010 and February 2015, Mr. Sen was Chief Executive Officer and Managing Director of Lanco Power International Pte Ltd, a Singapore-registered company focused on the development of power projects globally. Previously, Mr. Sen held several senior roles at Globeleq Ltd, a Houston-based power investment company, including COO, CEO—Latin America and CEO—Asia. In 1999, Mr. Sen cofounded and was COO of Hart Energy International, a Houston-based company that developed and invested in power businesses in Latin America and the Caribbean. Mr. Sen currently serves on the investment committees of SUSI Asia Energy Transition Fund and Armstrong SE Asia Clean Energy Fund. A qualified Chartered Accountant, Mr. Sen holds a B.Com. degree from the University of Calcutta and an M.S. degree in Finance from The American University in Washington, D.C.

The Board recommends a vote "FOR"

Proposals 1(a) – 1(h) to re-elect each of the above nominees to our Board.

PROPOSAL 2:
RE-APPOINTMENT OF STATUTORY AUDITOR FOR THE FINANCIAL YEAR ENDING DECEMBER 31, 2022 AND AUTHORIZATION OF OUR DIRECTORS TO FIX THEIR REMUNERATION

KPMG LLP served as our statutory Auditor for the financial year ended December 31, 2021. Pursuant to section 205(2) and 205(4) of the Singapore Companies Act, any appointment after the Board's initial appointment of our statutory Auditor, or its subsequent removal, requires the approval of our shareholders. The Audit Committee of our Board has authorized, approved, and recommended to our Board the re-appointment of KPMG LLP as our statutory Auditor for the financial year ending December 31, 2022 and to perform other appropriate services. As a result, our Board, upon recommendation of the Audit Committee, has approved, subject to shareholders' approval, the re-appointment of KPMG LLP and, pursuant to section 205(16) of the Singapore Companies Act, is requesting that the shareholders authorize the Directors (which may act through the Audit Committee) to fix the Auditor's remuneration for services rendered through the AGM. We expect that a representative from KPMG LLP will be present at the AGM, participating via videoconferencing, tele-conferencing or other electronic means. This representative will have the opportunity to make a statement if he or she so desires and is expected to be available to respond to appropriate questions. In addition, the fees paid to KPMG LLP for the financial year ended December 31, 2021 shall be reported to Kenon Shareholders at the AGM upon request.

The Board recommends a vote "FOR"

Proposal 2 to re-appoint KPMG LLP as our statutory Auditor for the financial year ending December 31, 2022, and to authorize the Directors (which may act through the Audit Committee) to fix their remuneration.

PROPOSAL 3:
ORDINARY RESOLUTION TO AUTHORIZE THE ORDINARY SHARE ISSUANCES

We are incorporated in the Republic of Singapore. Under Singapore law, our Directors may only issue ordinary shares and make or grant offers, agreements or options that might or would require the issuance of ordinary shares, with the prior approval from our shareholders. We are submitting this Proposal 3 because we are required to do so under the laws of Singapore before we can issue any ordinary shares in connection with our equity compensation plans, possible future strategic transactions, or public and private offerings.

If this Proposal 3 is approved, the authorization would be effective from the date of the AGM until the earlier of (i) the conclusion of the 2023 Annual General Meeting or (ii) the expiration of the period within which the 2023 Annual General Meeting is required by law to be held. The 2023 Annual General Meeting is required to be held within six months after our financial year ending December 31, 2022 (except that Singapore law allows for a one-time application for an extension of up to a maximum of 60 days to be made with the Singapore Accounting and Corporate Regulatory Authority ("**ACRA**")).

Our Board believes that it is advisable and in the best interests of our shareholders for our shareholders to authorize our Directors to issue ordinary shares and to make or grant offers, agreements or options that might or would require the issuance of ordinary shares.

We are not submitting this Proposal 3 in response to a threatened takeover. In the event of a hostile attempt to acquire control of the Company, we could seek to impede the attempt by issuing ordinary shares, which may dilute the voting power of our existing shareholders. This could also have the effect of impeding the efforts of our shareholders to remove an incumbent director and replace him with a new director of their choice. These potential effects could limit the opportunity for our shareholders to dispose of their ordinary shares at the premium that may be available in takeover attempts.

As of the date of this Proxy Statement, other than issuances of ordinary shares or agreements that would require the issuance of new ordinary shares in connection with our equity compensation plans and arrangements, we have no specific plans, agreements or commitments to issue any ordinary shares for which approval of this Proposal 3 is required. Nevertheless, our Board believes that it is advisable and in the best interests of our shareholders for our shareholders to provide this general authorization in order to avoid the delay and expense of obtaining shareholder approval at a later date and to provide us with greater flexibility to pursue strategic transactions and acquisitions and to raise additional capital through public and private offerings of our ordinary shares as well as instruments convertible into our ordinary shares.

The Board recommends a vote "FOR"

Proposal 3 to authorize the ordinary share issuances.

PROPOSAL 4:
ORDINARY RESOLUTION TO AUTHORIZE THE GRANT OF AWARDS UNDER THE SIP 2014 AND/OR OPTIONS UNDER THE SOP 2014 AND THE ALLOTMENT AND ISSUANCE OF ORDINARY SHARES

Proposal 4 is to authorize the Directors to (a) offer and grant awards, and allot and issue ordinary shares, in accordance with the provisions of the SIP 2014; and/or (b) offer and grant options, and allot and issue ordinary shares upon the exercise of options and payment of the exercise price, in accordance with the provisions of the SOP 2014, provided the total number of shares which may be delivered pursuant to awards granted under the SIP 2014 and options granted under the SOP 2014 on any date, when added to the total number of new shares allotted and issued and/or to be allotted and issued and issued shares (including treasury shares) delivered and/or to be delivered (i) pursuant to awards already granted under the SIP 2014; and (ii) pursuant to options already granted under the SOP 2014, shall not exceed three (3) per cent. of the total number of issued shares (excluding shares held by the Company as treasury shares) from time to time (measured at the time of grant) as such limit may be amended, or such other limit as may be established from time to time.

The Company intends to continue to rely upon equity as a component of compensation. If shareholder approval is not granted to authorize the Directors to issue shares pursuant to the equity awards, we would have to review our compensation practices, and would likely have to substantially increase our cash compensation to retain key personnel.

Our Board expects that we will continue to issue ordinary shares and grant awards pursuant to the SIP 2014 and/or offer and grant options pursuant to the SOP 2014 in the future under circumstances similar to those in the past.

The Board recommends a vote "FOR"

Proposal 4 to authorize the grant of awards under the SIP 2014 and/or options under the SOP 2014 and the allotment and issuance of ordinary shares.

PROPOSAL 5:
ORDINARY RESOLUTION TO APPROVE THE RENEWAL OF THE SHARE PURCHASE AUTHORIZATION

Proposal 5 is to approve the renewal of the Share Purchase Authorization which authorizes the Directors to repurchase or otherwise acquire our ordinary shares up to the limit set forth below.

Singapore law requires that we obtain shareholder approval of a general and unconditional share purchase authorization given to our Directors if we wish to purchase or otherwise acquire our ordinary shares. At the 2021 Annual General Meeting, shareholders approved the renewal of a general and unconditional authorization, which we referred to as the Share Purchase Authorization, to allow our Directors to exercise all of the Company's powers to purchase or otherwise acquire our issued ordinary shares on the terms of the Share Purchase Authorization. The Share Purchase Authorization which was approved by shareholders at the 2021 Annual General Meeting will expire on the date of the forthcoming AGM to be held on May 19, 2022. Accordingly, shareholder approval is being sought for the renewal of the Share Purchase Authorization at the AGM.

If the renewal of the Share Purchase Authorization is approved by shareholders at the AGM, the authority conferred by the Share Purchase Authorization will, unless varied or revoked by our shareholders at a general meeting, continue in force until the earlier of the date of the 2023 Annual General Meeting or the date by which the 2023 Annual General Meeting is required by law to be held. The 2023 Annual General Meeting is required to be held within six months after our financial year ending December 31, 2022 (except that Singapore law allows for a one-time application for an extension of up to a maximum of 60 days to be made with ACRA).

Any purchases or acquisitions by us of our ordinary shares must be made in accordance with, and in the manner prescribed by, the Singapore Companies Act, the applicable listing rules of the NYSE and the TASE, and such other laws and regulations as may apply from time to time.

The Share Purchase Authorization, if renewed, gives the Board authority to purchase shares but does not obligate us to repurchase any specific number of ordinary shares, and we may purchase ordinary shares within the limits described herein, and alternatively we may not make any repurchases of ordinary shares.

The authority and limitations placed on our share purchases or acquisitions under the proposed Share Purchase Authorization, if renewed at the AGM, are substantially the same as were previously approved by shareholders at the 2021 Annual General Meeting and are summarized below.

Limit on Allowed Purchases

We may only purchase or acquire ordinary shares that are issued and fully paid up. The prevailing limitation under the Singapore Companies Act that is currently in force does not permit us to purchase or acquire more than 20% of the total number of our issued ordinary shares outstanding at the date of the AGM at which the Share Purchase Authorization is renewed. Any of our ordinary shares that are held as treasury shares or which are held by a subsidiary of the Company under section 21(4B) or 21(6C) of the Singapore Companies Act will be disregarded for purposes of computing this 20% limitation.

We are seeking approval to renew the Share Purchase Authorization, which is an approval for our Board to authorize the purchase or acquisition of our issued ordinary shares not exceeding 5% of our total number of issued ordinary shares outstanding as of the date of the passing of this proposal (excluding any ordinary shares that are held as treasury shares or which are held by a subsidiary of the Company under section 21(4B) or 21(6C) of the Singapore Companies Act as at that date).

Purely for illustrative purposes, on the basis of 53,884,436 issued ordinary shares outstanding as of April 26, 2022, and assuming no additional ordinary shares are issued on or prior to the date of the AGM, based on the prevailing 5% limit, our Board would be authorized to resolve to purchase not more than 2,694,221 issued ordinary shares pursuant to the proposed renewal of the Share Purchase Authorization.

Duration of Share Purchase Authorization

Purchases or acquisitions of ordinary shares may be made, at any time and from time to time, on and from the date of approval of the Share Purchase Authorization up to the earlier of:

(a) the date on which our next annual general meeting is held or required by law to be held; or

(b) the date on which the authority conferred by the Share Purchase Authorization is revoked or varied by our shareholders at a general meeting.

Manner of Purchases or Acquisitions of Ordinary Shares

Purchases or acquisitions of ordinary shares may be made by way of:

(a) market purchases on the NYSE, the TASE or any other stock exchange on which our ordinary shares may for the time being be listed and quoted, through one or more duly licensed dealers appointed by us for that purpose; and/or

(b) off-market purchases (that is, effected other than on the NYSE, the TASE or, as the case may be, any other stock exchange on which our ordinary shares may for the time being be listed and quoted), in accordance with an equal access scheme as prescribed by the Singapore Companies Act.

If we decide to purchase or acquire our ordinary shares in accordance with an equal access scheme, our Directors may impose any terms and conditions as they see fit and as are in our interests, so long as the terms are consistent with the Share Purchase Authorization, the applicable rules of the NYSE and the TASE, the provisions of the Singapore Companies Act and other applicable laws. In addition, an equal access scheme must satisfy all of the following conditions:

(i) offers for the purchase or acquisition of ordinary shares must be made to every person who holds ordinary shares to purchase or acquire the same percentage of their ordinary shares;

(ii) all of those persons must be given a reasonable opportunity to accept the offers made; and

(iii) the terms of all of the offers must be the same (except differences in consideration that result from offers relating to ordinary shares with different accrued dividend entitlements and differences in the offers solely to ensure that each person is left with a whole number of ordinary shares).

Purchase Price

The maximum purchase price (excluding brokerage commission, applicable goods and services tax and other related expenses of the purchase or acquisition) to be paid for each ordinary share will be determined by our Directors. The maximum purchase price to be paid for the ordinary shares as determined by our Directors must not exceed:

(a) in the case of a market purchase, the highest independent bid or the last independent transaction price, whichever is higher, of our ordinary shares quoted or reported on the NYSE or TASE or any other stock exchange on which our ordinary shares may for the time being be listed and quoted (as the case may be); and

(b) in the case of an off-market purchase pursuant to an equal access scheme, up to 105% of the closing price of our ordinary shares as quoted on the NYSE or TASE or any other stock exchange on which our ordinary shares may for the time being be listed and quoted (as the case may be), on the day immediately preceding the date on which we resolve on effecting the off-market purchase.

Sources of Funds

Only funds legally available for purchasing or acquiring ordinary shares in accordance with the Constitution and the applicable laws of Singapore shall be used for any such purchases or acquisitions. We intend to use internal sources of funds and/or proceeds from the disposal of our assets to finance any purchase or acquisition of our ordinary shares. Our Directors do not propose to exercise the Share Purchase Authorization in a manner and to such an extent that would materially affect our working capital requirements.

The Singapore Companies Act permits us to purchase or acquire our ordinary shares out of our capital and/or profits. Acquisitions or purchases made out of capital are permissible only so long as we are solvent for the purposes of section 76F(4) of the Singapore Companies Act. A company is solvent if, at the date of the payment made in consideration of the purchase or acquisition (which shall include any expenses—including brokerage or commission) the following conditions are satisfied: (a) there is no ground on which the company could be found unable to pay its debts; (b) if it is not intended to commence winding up of the company, the company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and (c) the value of the company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase or acquisition, become less than the value of its liabilities (including contingent liabilities).

Status of Purchased or Acquired Ordinary Shares

Any ordinary share that we purchase or acquire will be deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to such ordinary share will expire on cancellation (unless such ordinary share is held by us as a treasury share). The total number of issued shares will be diminished by the number of ordinary shares purchased or acquired by us and which are not held by us as treasury shares.

We will cancel and destroy share certificates in respect of purchased or acquired ordinary shares as soon as reasonably practicable following settlement of any purchase or acquisition of such ordinary shares. Where such ordinary shares are purchased or acquired and held by us as treasury shares, we will cancel and issue new certificates in respect thereof.

Treasury Shares

Under the Singapore Companies Act, ordinary shares purchased or acquired by us may be held as treasury shares. Some of the provisions on treasury shares under the Singapore Companies Act are summarized below.

Maximum Holdings. The number of ordinary shares held as treasury shares (including ordinary shares which are held by a subsidiary of the Company under section 21(4B) or 21(6C) of the Singapore Companies Act) may not at any time exceed 10% of the total number of issued ordinary shares.

Voting and Other Rights. We may not exercise any right in respect of treasury shares, including any right to attend or vote at meetings and, for the purposes of the Singapore Companies Act, we shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights. In addition, no dividend may be paid, and no other distribution of our assets may be made, to the Company in respect of treasury shares, other than the allotment of ordinary shares as fully paid bonus shares. A subdivision or consolidation of any treasury share into treasury shares of a greater or smaller amount is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before the subdivision or consolidation, respectively.

<u>Disposal and Cancellation</u>. Where ordinary shares are held as treasury shares, we may at any time:

- sell the treasury shares for cash;
- transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons;
- transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- cancel the treasury shares; or
- sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance of Singapore.

Financial Effects

Our net tangible assets will be reduced by the purchase price (including any expenses) of any ordinary shares purchased or acquired and cancelled or held as treasury shares. We do not anticipate that the purchase or acquisition of our ordinary shares in accordance with the Share Purchase Authorization would have a material impact on our financial condition and cash flows.

The financial effects on us arising from purchases or acquisitions of ordinary shares which may be made pursuant to the Share Purchase Authorization will depend on, among other things, whether the ordinary shares are purchased or acquired out of our profits and/or capital, the number of ordinary shares purchased or acquired, if any are acquired, the price paid for the ordinary shares and whether the ordinary shares purchased or acquired are held in treasury or cancelled.

Under the Singapore Companies Act, purchases or acquisitions of ordinary shares by us may be made out of profits and/or our capital so long as the Company is solvent.

Our purchases or acquisitions of our ordinary shares may be made out of our profits and/or our capital. Where the consideration (including any expenses) paid by us for the purchase or acquisition of ordinary shares is made out of our profits, such consideration (including any expenses such as brokerage or commission) will correspondingly reduce the amount available for the distribution of cash dividends by us. Where the consideration that we pay for the purchase or acquisition of ordinary shares is made out of our capital, the amount available for the distribution of cash dividends by us will not be reduced.

Rationale for the Share Purchase Authorization

We believe the renewal of the Share Purchase Authorization at the AGM will benefit our shareholders by providing our Directors with appropriate flexibility to repurchase ordinary shares if the Directors believe that such repurchases would be in the best interests of our shareholders. Any decision to repurchase our ordinary shares from time to time will depend on, *inter alia*, our continuing assessment of then-current market conditions and our need to use available cash.

Take-over Implications

In October 2014, the Securities Industry Council of Singapore waived the application of the Singapore Code on Take-overs and Mergers (the "**Singapore Takeover Code**") to the Company, subject to certain conditions. Pursuant to the waiver, for as long as Kenon is not listed on a securities exchange in Singapore, and except in the case of a tender offer (within the meaning of U.S. securities laws) where the offeror relies on a Tier 1 exemption to avoid full compliance with U.S. tender offer regulations, the Singapore Takeover Code shall not apply to Kenon (the "**Waiver**").

If for any reason the Waiver is no longer available, the Singapore Takeover Code would consequently apply to Kenon, where the following would ensue:

(a) as a result of our purchase or acquisition of our issued ordinary shares, a shareholder's (together with persons acting in concert with such shareholder) increase in the percentage interest in Kenon's voting shares would be treated as an acquisition for the purposes of the Singapore Takeover Code;

(b) any person acquiring an interest, whether by a series of transactions over a period of time or not, either on his own or together with parties acting in concert with such person, in 30% or more of our voting shares, or, if such person holds, either on his own or together with parties acting in concert with such person, between 30% and 50% (both inclusive) of our voting shares, and such person (or parties acting in concert with such person) acquires additional voting shares representing more than 1% of our voting shares in any six-month period, must, except with the consent of the Securities Industry Council of Singapore, extend a mandatory takeover offer for the remaining voting shares in accordance with the provisions of the Singapore Takeover Code; and

(c) such shareholder or group of shareholders acting in concert with a Director could become obliged to make a take-over offer for the Company under Rule 14 of the Singapore Takeover Code unless the requirements in Appendix 2 of the Singapore Takeover Code can be satisfied.

Kenon Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Singapore Takeover Code as a result of any share purchase by us should consult the Securities Industry Council of Singapore and/or their professional advisers at the earliest opportunity.

The Board recommends a vote "FOR"

Proposal 5 to approve the renewal of the Share Purchase Authorization.

PROPOSAL 6:
SPECIAL RESOLUTION TO APPROVE THE CAPITAL REDUCTION IN RESPECT OF THE DISTRIBUTION

Proposal 6 is to approve the reduction of the issued share capital of the Company by $552,315,469 and the return of such amount in cash (the "**Distribution Amount**") to Kenon Shareholders after the capital reduction has been completed, on a date to be determined by any Director of Kenon, Robert Rosen, Chief Executive Officer of the Company, or Mark Hasson, Chief Financial Officer of the Company (each, an "**Authorized Person**") (the "**Anticipated Distribution Date**") (the "**Distribution**").

Shareholder approval of the capital reduction is required under Singapore law. Once Kenon Shareholders have approved the capital reduction, no further shareholder action will be required in order to effect the Distribution.

If the Distribution is approved by Kenon Shareholders and by the High Court of the Republic of Singapore, each Kenon Shareholder will receive, for each Kenon Share for which they are the holder of record as of the record date to be determined by an Authorized Person (the "**Anticipated Record Date**"), a cash distribution equal to the quotient obtained by dividing the Distribution Amount by the total number of Kenon Shares outstanding as of the Anticipated Record Date, on a *pro rata* basis. Purely for illustrative purposes, on the basis of 53,884,436 issued ordinary shares outstanding as of April 26, 2022, and assuming no additional ordinary shares are issued on or prior to the Anticipated Record Date, each Kenon Shareholder would be entitled to receive $10.25 per Kenon Share.

RISKS RELATED TO THE POTENTIAL DISTRIBUTION

The timing of any Distribution is uncertain and Kenon may not consummate the Distribution at all.

Kenon has not, and may not, set a record date or distribution date for the Distribution. After the completion of the capital reduction, Kenon intends to announce the Anticipated Record Date and the Anticipated Distribution Date by filing a Form 6-K with the SEC and by notifying the TASE and the NYSE, as appropriate. There can be no assurance as to when Kenon will complete the Distribution or if the Distribution will be completed at all. Kenon's ability to consummate the Distribution will be subject to the satisfaction of certain conditions in addition to shareholder approval, including: (i) the High Court of the Republic of Singapore's approval of Kenon's capital reduction, and (ii) the obtaining of requisite third-party consents to Kenon's capital reduction (if any are required), each of which may not occur in a timely fashion, or at all. Any significant delay in the satisfaction of any of these conditions may result in the delay or cancellation of the Distribution, any of which may adversely impact the price of the Kenon Shares or Kenon's ability to effect a distribution of the Distribution Amount in the future.

The Board recommends a vote "FOR"

Proposal 6 to approve the capital reduction in respect of the Distribution.

PART III – ADDITIONAL INFORMATION

Kenon was established in connection with a spin-off of its businesses from Israel Corporation Ltd. to promote the growth and development of its primary businesses. Kenon has interests in the following businesses: (i) OPC Energy Ltd., a leading owner, operator and developer of power generation facilities in the Israeli and U.S. power markets, in which Kenon has a 59% equity interest, (ii) ZIM Integrated Shipping Services Ltd, an international shipping company in which Kenon has a 21% equity interest; and (iii) Qoros Automotive Co., Ltd. ("**Qoros**"), a China-based automotive company in which Kenon has a 12% equity interest[1].

The Kenon Shares are currently listed on the NYSE and the TASE under the symbol "KEN".

Kenon's Share Registrar and Transfer Agent

Computershare may be contacted for information regarding the AGM as follows:

Computershare Shareholder Services
PO BOX 505000, Louisville, KY, 40233-5000, UNITED STATES
Toll Free Telephone: +1 (877) 373 6374
Toll Number: +1 (781) 575 3100

Mailing addresses:

Shareholder correspondence should be mailed to:

Computershare Shareholder Services
PO BOX 505000, Louisville, KY, 40233-5000, UNITED STATES

Overnight correspondence should be sent to:
Computershare Shareholder Services
462 South 4th Street, Suite 1600
Louisville, KY, 40202, UNITED STATES

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[1] Kenon has agreed to sell its remaining 12% interest in Qoros.

Shareholder website:

www.computershare.com/investor

Shareholder online inquiries:

https://www-us.computershare.com/investor/Contact

Where You Can Find Additional Information

Kenon is subject to the reporting requirements of the U.S. Securities Exchange Act of 1934, as applicable to foreign private issuers, and accordingly, files reports and other information with the SEC, including financial statements. Kenon's Annual Report on Form 20-F for the year ended December 31, 2021 (which does not form a part of this Proxy Statement) contains consolidated financial statements of Kenon as of and for the fiscal year ended December 31, 2021 and was publicly filed with the SEC and, along with Kenon's other filings, can be found on the SEC's website at www.sec.gov.

Kenon also maintains a website that offers additional information: http://www.kenon-holdings.com/. Information contained on these websites is not incorporated by reference into this Proxy Statement.

Caution Concerning Forward-Looking Statements

This document includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to statements about the proposals for the authorization of share repurchases, ordinary share issuances, grants of awards and options under Kenon's plans and the proposed capital reduction and related cash return of capital and related statements. These statements are subject to uncertainty and changes in circumstances. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond Kenon's control, which could cause a material difference from what is indicated in such forward-looking statements. Such risks include risks relating to the authorizations sought herein and other risks and factors, including those risks set forth under the heading "Risk Factors" in Kenon's Annual Report on Form 20-F filed with the SEC and other filings and share repurchases, issuances, option grants and the proposed capital reduction and related cash return of capital may not proceed on the terms indicated herein or at all. Except as required by law, Kenon undertakes no obligation to update these forward-looking statements, whether as a result of new information, future events, or otherwise.

Exhibit 99.2

KENON HOLDINGS LTD.
(Incorporated in the Republic of Singapore)
(Company Registration Number 201406588W)

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

To Be Held on May 19, 2022

To our Shareholders:

You are cordially invited to attend, and NOTICE IS HEREBY GIVEN, of the Annual General Meeting of the shareholders of KENON HOLDINGS LTD. ("**Kenon**" or the "**Company**"), which will be held at 1 Temasek Avenue #37-02B, Millenia Tower, Singapore 039192 at 4 p.m., Singapore time, on May 19, 2022 (the "**Annual General Meeting**") for the following purposes:

As Ordinary Business

1. To re-elect each of the following Directors who will retire pursuant to Article 94 of our Constitution to the Board of Directors:

    (a) Mr. Cyril Pierre-Jean Ducau;

    (b) Mr. Antoine Bonnier;

    (c) Mr. Laurence N. Charney;

    (d) Mr. Barak Cohen;

    (e) Mr. N. Scott Fine;

    (f) Dr. Bill Foo;

    (g) Mr. Aviad Kaufman; and

    (h) Mr. Arunava Sen.

2. To re-appoint KPMG LLP as our statutory Auditor for the financial year ending December 31, 2022, and to authorize the Directors (which may act through the Audit Committee) to fix their remuneration.

As Special Business

3. To consider and, if thought fit, to pass with or without any amendments the following as an Ordinary Resolution:

THAT, pursuant to the provisions of Section 161 of the Companies Act 1967 (the "**Companies Act**"), but subject otherwise to the provisions of the Companies Act and our Constitution (the "**Constitution**"), authority be and is hereby given to our Directors to:

(a) (i) allot and issue ordinary shares of the Company ("**shares**"); and/or

(ii) make or grant offers, agreements or options that might or would require shares to be allotted and issued, whether after the expiration of this authority or otherwise (including but not limited to the creation and issuance of warrants, debentures or other instruments convertible into shares),

at any time to and/or with such persons and upon such terms and conditions and for such purposes as our Directors may in their absolute discretion deem fit, and with such rights or restrictions as our Directors may think fit to impose and as are set forth in the Constitution; and

(b) (notwithstanding the authority to be conferred by this resolution may have ceased to be in force) allot and issue shares in pursuance of any offer, agreement or option made or granted by our Directors while this resolution was in force,

and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

4. To consider and, if thought fit, to pass with or without any amendments the following as an Ordinary Resolution:

THAT authority be and is hereby given to the Board to:

(a) offer and grant awards ("**Awards**") of fully paid-up shares in accordance with the provisions of the Kenon Holdings Ltd. Share Incentive Plan 2014 (as amended from time to time) (the "**SIP 2014**") and to allot and issue from time to time such number of shares as may be required to be delivered pursuant to the vesting of Awards under the SIP 2014; and

(b) offer and grant options to acquire shares ("**Options**") in accordance with the Kenon Holdings Ltd. Share Option Plan 2014 (the "**SOP 2014**") and to allot and issue from time to time such number of shares as may be required to be delivered pursuant to the exercise of Options under the SOP 2014,

provided the total number of shares which may be delivered pursuant to Awards granted under the SIP 2014 and Options granted under the SOP 2014 on any date, when added to the total number of new shares allotted and issued and/or to be allotted and issued and issued shares (including treasury shares) delivered and/or to be delivered (i) pursuant to Awards already granted under the SIP 2014; and (ii) pursuant to Options already granted under the SOP 2014, shall not exceed three (3) per cent. of the total number of issued shares (excluding shares held by the Company as treasury shares) from time to time (measured at the time of grant) as such limit may be amended, or such other limit as may be established from time to time.

5. To consider, and if thought fit, to pass with or without amendments the following as an Ordinary Resolution:

THAT:

(a) for the purposes of Sections 76C and 76E of the Companies Act 1967 (the "**Companies Act**"), the exercise by our Directors of all of our powers to purchase or otherwise acquire issued ordinary shares of the Company ("**Ordinary Shares**" and each, an "**Ordinary Share**") not exceeding in aggregate the number of issued Ordinary Shares representing 5% of the total number of issued Ordinary Shares outstanding as of the date of the passing of this Resolution (excluding any Ordinary Shares which are held as treasury shares, or which are held by a subsidiary of the Company under Sections 21(4B) or 21(6C) of the Companies Act, as at that date) at such price or prices as may be determined by our Directors from time to time up to the maximum purchase price described in paragraph (c) below, whether by way of:

(i) market purchases on the New York Stock Exchange ("**NYSE**"), Tel Aviv Stock Exchange ("**TASE**") or any other stock exchange on which our Ordinary Shares may for the time being be listed and quoted; and/or

(ii) off-market purchases (that is, effected other than on the NYSE, TASE, or any other stock exchange on which our Ordinary Shares may for the time being be listed and quoted) in accordance with any equal access scheme(s) as may be determined or formulated by our Directors as they consider fit, and subject to all the applicable conditions prescribed by the Companies Act,

and in accordance with all applicable securities laws and regulations and rules of the NYSE, TASE or, as the case may be, any other stock exchange on which our Ordinary Shares may for the time being be listed and quoted as may be applicable, be and is hereby authorized and approved generally and unconditionally;

(b) unless varied or revoked by our shareholders in a general meeting, the authority conferred on our Directors pursuant to the authorization contained in paragraph (a) above may be exercised by our Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which our next annual general meeting is held; or

(ii) the date by which our next annual general meeting is required by law to be held;

(c) the maximum purchase price (excluding brokerage commission, applicable goods and services tax and other related expenses) which may be paid for an Ordinary Share purchased or acquired by us pursuant to the authorization contained in paragraph (a) above, shall not exceed:

(i) in the case of a market purchase of an Ordinary Share, the highest independent bid or the last independent transaction price, whichever is higher, of our Ordinary Shares quoted or reported on the NYSE or TASE or any other stock exchange on which our Ordinary Shares may for the time being be listed and quoted (as the case may be); and

(ii) in the case of an off-market purchase pursuant to an equal access scheme, up to 105% of the closing price of our Ordinary Shares as quoted on the NYSE or TASE or any other stock exchange on which our Ordinary Shares may for the time being be listed and quoted (as the case may be), on the day immediately preceding the date on which we resolve on effecting the off-market purchase; and

(d) our Directors and/or any of them be and are hereby authorized to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorized by this Resolution.

6. To consider, and if thought fit, to pass with or without amendments the following resolution which will be proposed as a Special Resolution:

THAT subject to and contingent on the confirmation of the High Court of the Republic of Singapore, pursuant to Article 49 of our Constitution and Section 78G of the Companies Act 1967, the issued share capital of the Company be reduced from $602,449,495.85 comprising 53,884,436 ordinary shares to $50,134,026.85 comprising 53,884,436 ordinary shares and that such reduction be effected by:

(a) reducing the amount of $552,315,469 constituting part of the issued share capital of the Company; and

(b) without cancelling any of the said ordinary shares constituting part of the total issued share capital of the Company,

and the sum of $552,315,469 arising from such reduction of share capital be returned in cash to the shareholders of the Company existing as at such date to be determined by any Director, Robert Rosen or Mark Hasson as the date on which the Branch Register of Members maintained in the United States of America and the Transfer Books of the Company will be closed, on a *pro rata* basis.

By order of the Board of Directors,

____

Cheng Lian Siang
Company Secretary
Singapore
April 27, 2022

For additional information on the above proposals, please refer to the Proxy Statement, dated as of the date hereof (the "**Proxy Statement**"), accompanying this Notice.

Notes

Singapore Statutory Financial Statements. At the Annual General Meeting, our shareholders will have the opportunity to discuss and ask questions regarding our Singapore audited financial statements for the financial year ended December 31, 2021, together with the Auditor's report thereon, and the Directors' statement, in compliance with the laws of Singapore. Shareholder approval of our Singapore audited financial statements is not being sought by the Proxy Statement and will not be sought at the Annual General Meeting.

Eligibility to vote at the Annual General Meeting; Receipt of Notice. The Board of Directors has fixed the close of business (EST) on April 27, 2022 as the record date (the "**Record Date**") for determining those beneficial shareholders of the Company who will be entitled to vote at the Annual General Meeting and receive copies of this Notice and the Proxy Statement. All shareholders of record (i) on the date of the Annual General Meeting will be entitled to vote at the Annual General Meeting and receive copies of this Notice and Proxy Statement; and (ii) on the date of the Notice of Annual General Meeting shall be entitled to receive copies of this Notice and Proxy Statement.

Quorum. Representation of not less than 33 1/3 per cent. of the total number of issued and fully paid ordinary shares of Kenon as at the date of the Annual General Meeting, in person or by proxy, is required to constitute a quorum. Accordingly, it is important that your shares be represented at the Annual General Meeting.

Proxies. **Shareholders of Record**: A shareholder of record (member) entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy, or proxies, to attend and vote on his or her behalf. A proxy need not be a shareholder of record (member). Whether or not you plan to attend the Annual General Meeting, please complete, date and sign the enclosed proxy card and return it in the enclosed pre-paid envelope. A proxy card must be received by Computershare Trust Company, N.A. at Proxy Services c/o Computershare Investor Services, PO BOX 505008, Louisville, KY, 40233-9814, UNITED STATES, not less than 48 hours before the time appointed for holding the Annual General Meeting (or within such other time as may be required by the Companies Act). For further information on how to vote at the Annual General Meeting, see "Part I – Information About the Annual General Meeting – Manner of Voting – Shareholders of Record" in the Proxy Statement. You may revoke your proxy at any time prior to the time it is voted by (i) providing appropriate written notice to Proxy Services c/o Computershare Investor Services, PO BOX 505008, Louisville, KY, 40233-9814, UNITED STATES, no less than 48 hours prior to the Annual General Meeting; or (ii) attending the Annual General Meeting and voting in person.

Beneficial Shareholders (New York Stock Exchange): In order for your vote to be counted at the Annual General Meeting, you must have been a shareholder as at, and with effect from, the Record Date. Your broker, bank, nominee or other institution will send a voting instruction form for you to use to direct how your shares should be voted. You may also vote your shares in person at the Annual General Meeting. For information on how to vote in person at the Annual General Meeting, see "Part I – Information About the Annual General Meeting – Manner of Voting – Beneficial Shareholders (New York Stock Exchange (the "**NYSE**"))" in the Proxy Statement. If you do not intend to vote in person at the Annual General Meeting, your shares must be voted no less than 48 hours prior to the Annual General Meeting (or within such longer period prior to the Annual General Meeting as may be specified by the Depository Trust Company's (the "**DTC**"), or DTC participants' procedures). If you would like to revoke your proxy, please contact the holder of your shares to determine how to change or revoke your voting instructions.

<u>Beneficial Shareholders (Tel Aviv Stock Exchange (the "TASE"))</u>: In order for your vote to be counted at the Annual General Meeting, you must have been a shareholder as at, and with effect from, the Record Date and must (i) sign and date a proxy card in the form filed by Kenon on MAGNA, the distribution site of the Israel Securities Authority, at www.magna.isa.gov.il ("**MAGNA**"), on April 27, 2022 and attach to it a proof of ownership certificate from the TASE Clearing House Member through which your shares are held, which certificate indicates that you were the beneficial owner of such shares as of the Record Date, and return the proxy card, along with the proof of ownership certificate, to Kenon c/o Gornitzky & Co. via fax to +972-3-560-6555, Attention: Ari Fried, Adv. or by e-mail to: kenonproxy@gornitzky.com; or (ii) vote in person at the Annual General Meeting. For information on how to vote in person at the Annual General Meeting, see "Part I – Information About the Annual General Meeting – Manner of Voting – Beneficial Shareholders (TASE)" in the Proxy Statement. If you do not intend to vote in person at the Annual General Meeting, your shares must be voted no less than 48 hours prior to the Annual General Meeting (or within such longer period prior to the Annual General Meeting as may be specified by the DTC's, the DTC's participants', or the TASE's procedures). You may revoke your proxy at any time prior to the time it is voted by (i) communicating such revocation in writing to Kenon or by executing and delivering a later-dated proxy to Kenon c/o Gornitzky & Co. via fax to +972-3-560-6555, Attention: Ari Fried, Adv. or by e-mail to: kenonproxy@gornitzky.com, no less than 48 hours prior to the Annual General Meeting; or (ii) attending the Annual General Meeting and voting in person, subject to the satisfaction of the conditions set forth in the Proxy Statement.

Disclosure regarding Share Purchase Authorization source of funds. Only funds legally available for purchasing or acquiring our Ordinary Shares in accordance with our Constitution and the applicable laws of Singapore may be used for the purchase or acquisition by us of our Ordinary Shares pursuant to the proposed renewal of the Share Purchase Authorization referred to in this Notice. We intend to use our internal sources of funds and/or proceeds from the disposal of our assets to finance any purchase or acquisition of our Ordinary Shares. The amount of financing required for us to purchase or acquire our Ordinary Shares, if we do so, and the impact on our financial position, cannot be ascertained as of the date of this Notice, as these will depend on, among other things, the number of Ordinary Shares purchased or acquired and the price at which such Ordinary Shares are purchased or acquired and whether the Ordinary Shares purchased or acquired are held in treasury or cancelled. Our net tangible assets will be reduced by the purchase price (including any expenses) of any Ordinary Shares purchased or acquired and cancelled or held as treasury shares. We do not anticipate that any purchase or acquisition of our Ordinary Shares in accordance with the Share Purchase Authorization would have a material impact on our financial condition and cash flows.

Monetary amounts. All monetary amounts in this Notice have been presented in U.S. dollars.

The Proxy Statement and this Notice are each being published for the benefit of all holders of Kenon's shares, are being posted on Kenon's website, will be furnished to the U.S. Securities and Exchange Commission on a Report on Form 6-K, and will also be filed with the TASE on an Immediate Report.

Personal data privacy. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "**Purposes**"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or its service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or its service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Important Reminder. Due to the constantly evolving COVID-19 situation in Singapore, Kenon may be required to change its arrangements for the Annual General Meeting at short notice. Shareholders should check Kenon's website at http://www.kenon-holdings.com/ for the latest updates on the status of the Annual General Meeting.

Caution Concerning Forward-Looking Statements

This document includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, statements about the proposals for the authorization of share repurchases, ordinary share issuances, grants of awards and options under Kenon's plans and the proposed capital reduction and related cash return of capital and related statements. These statements are subject to uncertainty and changes in circumstances. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond Kenon's control, which could cause a material difference from what is indicated in such forward-looking statements. Such risks include risks relating to the authorizations sought herein and other risks and factors, including those risks set forth under the heading "Risk Factors" in Kenon's Annual Report on Form 20-F filed with the SEC and other filings and share repurchases, issuances, option grants and the proposed capital reduction and related cash return of capital may not proceed on the terms indicated herein or at all. Except as required by law, Kenon undertakes no obligation to update these forward-looking statements, whether as a result of new information, future events, or otherwise.

Exhibit 99.3

Kenon Holdings Ltd. and subsidiaries

Registration Number: 201406588W

Consolidated Financial Statements

As at December 31, 2021 and 2020 and for the three years ended December 31, 2021

Kenon Holdings Ltd.

Consolidated Financial Statements
as at December 31, 2021 and 2020 and for the three years ended December 31, 2021

Contents

Directors' statement

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended December 31, 2021.

In our opinion:

(a) the financial statements set out on pages F-8 to F-102 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at December 31, 2021 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorized these financial statements for issue.

Directors

The directors in office at the date of this statement are as follows:

Cyril Pierre-Jean Ducau
Laurence Neil Charney
Nathan Scott Fine
Aviad Kaufman
Antoine Bonnier
Foo Say Mui
Arunava Sen
Barak Cohen

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50, (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
Laurence Neil Charney		
Kenon Holdings Ltd. - Ordinary shares	47,650	49,180
Foo Say Mui		
Kenon Holdings Ltd. - Ordinary shares	14,108	16,420
Arunava Sen		
Kenon Holdings Ltd. - Ordinary shares	14,108	16,420
Nathan Scott Fine		
Kenon Holdings Ltd. - Ordinary shares	-	1,804

Directors' interests (Cont'd)

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

Except as disclosed under the "Share-based Compensation Plans" section in this statement, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Share-based Compensation Plans

The Kenon Holdings Ltd. Share Incentive Plan 2014 (the "**SIP 2014**") authorises the directors of the Company to offer and grant awards of fully paid-up shares, free of payment, in accordance with the provisions of the SIP 2014 and to allot and issue from time to time such number of ordinary shares of the Company as may be required to be delivered pursuant to the vesting of awards under the SIP 2014, while the Kenon Holdings Ltd. Share Option Plan 2014 ("**SOP 2014**") authorises the directors of the Company to offer and grant options in accordance with the SOP 2014 to acquire ordinary shares and to allot and issue from time to time such number of ordinary shares as may be required to be delivered pursuant to the exercise of options under the SOP 2014.

Directors of the Company are eligible to participate in the SIP 2014 and the SOP 2014.

Share options

During the financial year, there were:

(i) no options granted by the Company to any person to take up unissued shares in the Company; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under option plan.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

/s/ Cyril Pierre-Jean Ducau

Cyril Pierre-Jean Ducau
Director

/s/ Arunava Sen

Arunava Sen
Director

March 31, 2022

KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Telephone +65 6213 3388
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Internet www.kpmg.com.sg

Report on the audit of the financial statements

Members of the Company
Kenon Holdings Ltd.

Opinion

We have audited the financial statements of Kenon Holdings Ltd. ('the Company') and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at December 31, 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended December 31, 2021, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages F-8 to F-102.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act and Financial Reporting Standards in Singapore ('FRSs') so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at December 31, 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ('SSAs'). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements'* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Evaluation of fair value of the identified assets acquired and liabilities assumed	
The key audit matter	*How the matter was addressed in our audit*
Refer to Notes 2.D.1 and 10.A.1.i. On January 25 2021, the Group acquired 70% of the rights and holdings in CPV Power Holdings LP; Competitive Power Ventures Inc.; and CPV Renewable Energy Company Inc. through the limited partnership, CPV Group LP ("the CPV Group"). The fair value of the identified assets acquired and liabilities assumed of $580 million included property, plant, and equipment, investments in associated companies and intangible assets of the CPV Group. The valuation technique used for measuring the fair values of the property, plant and equipment, investments in associated companies and intangible assets on the transaction completion date is the income approach, a present value technique to convert future amounts to a single current amount using relevant discount rates. We identified the evaluation of the transaction completion date fair values of the property, plant and equipment, investments in associated companies and intangible assets of the CPV Group as a key audit matter. A high degree of auditor judgement was required in evaluating the discount rates used to estimate the fair values of these assets. Minor changes to the discount rates could have had a significant effect on the Group's evaluation of the transaction completion date fair values. Additionally, the audit effort to evaluate the discount rates required specialized skills and knowledge.	We evaluated the design and tested the operating effectiveness of certain internal controls related to the Group's process in the determination of the discount rates to estimate the fair values of the property, plant and equipment, investments in associated companies and intangible assets. In addition, we involved valuation professionals with specialized skills and knowledge who assisted in evaluating such discount rates, by comparing such discount rates used by the Group against discount rate ranges that were independently developed utilizing publicly available market data for comparable entities.

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Ang Fung Fung.

/s/ KPMG LLP
KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
31 March 2022

Kenon Holdings Ltd. and subsidiaries
Consolidated Statements of Financial Position as at December 31, 2021 and 2020

		As at December 31,	
		2021	**2020**
	Note	**$ Thousands**	
Current assets			
Cash and cash equivalents	5	474,544	286,184
Short-term deposits and restricted cash	6	229	564,247
Trade receivables		62,643	47,948
Short-term derivative instruments		798	114
Other current assets	7	43,379	21,295
Total current assets		581,593	919,788
Non-current assets			
Investment in ZIM (associated company)	8	1,354,212	297,148
Investment in OPC's associated companies	8	545,242	-
Long-term investment (Qoros)	9.5	-	235,218
Long-term restricted cash		21,463	71,954
Long-term derivative instruments	28.D.1	11,637	165
Deferred taxes, net	23.C.2	49,275	7,374
Property, plant and equipment, net	11	1,125,820	818,561
Intangible assets, net	12	224,282	1,452
Long-term prepaid expenses and other non-current assets	13	57,266	44,649
Right-of-use assets, net	16	97,883	86,024
Total non-current assets		3,487,080	1,562,545
Total assets		4,068,673	2,482,333

The accompanying notes are an integral part of the consolidated financial statements.

	Note	2021	2020
		As at December 31,	
		$ Thousands	
Current liabilities			
Current maturities of loans from banks and others	14	38,311	46,471
Trade and other payables	15	171,537	128,242
Dividend payable	18.D	188,607	-
Short-term derivative instruments	28.D.1	8,688	39,131
Current tax liabilities		34	9
Deferred taxes	23.C.2	21,117	-
Current maturities of lease liabilities		18,991	14,084
Total current liabilities		447,285	227,937
Non-current liabilities			
Long-term loans from banks and others	14	596,489	575,688
Debentures	14	575,314	296,146
Deferred taxes, net	23.C.2	125,339	94,336
Other non-current liabilities		28,817	816
Long-term derivative instruments		192	6,956
Long-term lease liabilities		14,951	4,446
Total non-current liabilities		1,341,102	978,388
Total liabilities		1,788,387	1,206,325
Equity	18		
Share capital		602,450	602,450
Translation reserve		25,680	15,896
Capital reserve		25,783	(11,343)
Accumulated profit		1,139,775	459,820
Equity attributable to owners of the Company		1,793,688	1,066,823
Non-controlling interests		486,598	209,185
Total equity		2,280,286	1,276,008
Total liabilities and equity		4,068,673	2,482,333

The accompanying notes are an integral part of the consolidated financial statements.

Kenon Holdings Ltd. and subsidiaries
Consolidated Statements of Profit & Loss for the years ended December 31, 2021, 2020 and 2019

		For the year ended December 31,		
		2021	2020	2019
	Note		$ Thousands	
Revenue	19	487,763	386,470	373,473
Cost of sales and services (excluding depreciation and amortization)	20	(336,298)	(282,086)	(256,036)
Depreciation and amortization		(53,116)	(33,135)	(31,141)
Gross profit		98,349	71,249	86,296
Selling, general and administrative expenses	21	(75,727)	(49,957)	(36,436)
Other (expenses)/income		(81)	1,721	6,114
Operating profit		22,541	23,013	55,974
Financing expenses	22	(144,295)	(51,174)	(29,946)
Financing income	22	2,934	14,291	17,679
Financing expenses, net		(141,361)	(36,883)	(12,267)
(Losses)/gains related to Qoros	9	(251,483)	309,918	(7,813)
(Losses)/gains related to ZIM	8.B.a	(204)	43,505	-
Share in profit/(losses) of associated companies, net				
- ZIM	8.A.2	1,260,993	167,142	(4,374)
- OPC's associated companies	8.A.2	(10,844)	-	-
- Qoros	8.A.2	-	(6,248)	(37,056)
Profit/(loss) before income taxes		879,642	500,447	(5,536)
Income tax expense	23	(4,325)	(4,698)	(16,675)
Profit/(loss) for the year from continuing operations		875,317	495,749	(22,211)
Gain/(loss) for the year from discontinued operations	25			
-Recovery of retained claims, net		-	8,476	25,666
-Other		-	-	(1,013)
		-	8,476	24,653
Profit for the year		875,317	504,225	2,442
Attributable to:				
Kenon's shareholders		930,273	507,106	(13,359)
Non-controlling interests		(54,956)	(2,881)	15,801
Profit for the year		875,317	504,225	2,442
Basic/diluted profit/(loss) per share attributable to Kenon's shareholders (in dollars):	24			
Basic/diluted profit/(loss) per share		17.27	9.41	(0.25)
Basic/diluted profit/(loss) per share from continuing operations		17.27	9.25	(0.71)
Basic/diluted profit per share from discontinued operations		-	0.16	0.46

The accompanying notes are an integral part of the consolidated financial statements.

Kenon Holdings Ltd. and subsidiaries

Consolidated Statements of Other Comprehensive Income for the years ended December 31, 2021, 2020 and 2019

	For the year ended December 31,		
	2021	**2020**	**2019**
		$ Thousands	
Profit for the year	875,317	504,225	2,442
Items that are or will be subsequently reclassified to profit or loss			
Foreign currency translation differences in respect of foreign operations	17,489	36,354	22,523
Reclassification of foreign currency and capital reserve differences on loss of significant influence	-	(23,425)	-
Group's share in other comprehensive income of associated companies	12,360	1,873	(3,201)
Effective portion of change in the fair value of cash-flow hedges	8,772	(45,322)	(8,309)
Change in fair value of derivative financial instruments used for hedging cash flows recorded to the cost of the hedged item	37,173	3,067	1,351
Change in fair value of derivatives used to hedge cash flows transferred to the statement of profit & loss	(2,121)	6,300	2,743
Income taxes in respect of components of other comprehensive income	(423)	1,346	252
Total other comprehensive income for the year	73,250	(19,807)	15,359
Total comprehensive income for the year	948,567	484,418	17,801
Attributable to:			
Kenon's shareholders	969,862	486,165	(2,353)
Non-controlling interests	(21,295)	(1,747)	20,154
Total comprehensive income for the year	948,567	484,418	17,801

The accompanying notes are an integral part of the consolidated financial statements.

Kenon Holdings Ltd. and subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2021, 2020 and 2019

		Attributable to the owners of the Company					Non-controlling interests	Total
	Note	Share Capital	Translation reserve	Capital reserve	Accumulated profit	Total		
					$ Thousands			
Balance at January 1, 2021		602,450	15,896	(11,343)	459,820	1,066,823	209,185	1,276,008
Transactions with owners, recognised directly in equity								
Contributions by and distributions to owners								
Share-based payment transactions		-	-	7,371	-	7,371	1,187	8,558
Dividends declared	18.D	-	-	-	(288,811)	(288,811)	(10,214)	(299,025)
Total contributions by and distributions to owners		-	-	7,371	(288,811)	(281,440)	(9,027)	(290,467)
Changes in ownership interests in subsidiaries								
Dilution in investment in subsidiary	10.A.1.o	-	-	-	38,443	38,443	103,891	142,334
Non-controlling interests in respect of business combinations		-	-	-	-	-	6,769	6,769
Investments from holders of non-controlling interests in equity of subsidiary		-	-	-	-	-	197,075	197,075
Total changes in ownership interests in subsidiaries		-	-	-	38,443	38,443	307,735	346,178
Total comprehensive income for the year								
Net profit for the year		-	-	-	930,273	930,273	(54,956)	875,317
Other comprehensive income for the year, net of tax		-	9,784	29,755	50	39,589	33,661	73,250
Total comprehensive income for the year		-	9,784	29,755	930,323	969,862	(21,295)	948,567
Balance at December 31, 2021		**602,450**	**25,680**	**25,783**	**1,139,775**	**1,793,688**	**486,598**	**2,280,286**

The accompanying notes are an integral part of the consolidated financial statements.

Kenon Holdings Ltd. and subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2021, 2020 and 2019

		Attributable to the owners of the Company					Non-controlling interests	Total
	Note	Share Capital	Translation reserve	Capital reserve	Accumulated profit	Total		
					$ Thousands			
Balance at January 1, 2020		602,450	17,889	13,962	(10,949)	623,352	88,436	711,788
Transactions with owners, recognised directly in equity								
Contributions by and distributions to owners								
Share-based payment transactions		-	-	874	-	874	236	1,110
Dividends declared and paid	18.D	-	-	-	(120,133)	(120,133)	(12,412)	(132,545)
Total contributions by and distributions to owners		-	-	874	(120,133)	(119,259)	(12,176)	(131,435)
Changes in ownership interests in subsidiaries								
Dilution in investment in subsidiary	10.A.1.o	-	-	-	80,674	80,674	136,170	216,844
Acquisition of non-controlling interests without a change in control		-	-	(4,109)	-	(4,109)	(1,498)	(5,607)
Total changes in ownership interests in subsidiaries		-	-	(4,109)	80,674	76,565	134,672	211,237
Total comprehensive income for the year								
Net profit for the year		-	-	-	507,106	507,106	(2,881)	504,225
Other comprehensive income for the year, net of tax			(1,993)	(22,070)	3,122	(20,941)	1,134	(19,807)
Total comprehensive income for the year		-	(1,993)	(22,070)	510,228	486,165	(1,747)	484,418
Balance at December 31, 2020		**602,450**	**15,896**	**(11,343)**	**459,820**	**1,066,823**	**209,185**	**1,276,008**

The accompanying notes are an integral part of the consolidated financial statements.

Kenon Holdings Ltd. and subsidiaries
Consolidated Statements of Changes in Equity
For the years ended December 31, 2021, 2020 and 2019

	Note	Attributable to the owners of the Company: Share Capital	Translation reserve	Capital reserve	Accumulated profit/(loss)	Total	Non-controlling interests	Total
					$ Thousands			
Balance at January 1, 2019		602,450	802	16,854	28,917	649,023	66,695	715,718
Transactions with owners, recognised directly in equity								
Contributions by and distributions to owners								
Share-based payment transactions		-	-	1,222	-	1,222	324	1,546
Dividends declared and paid	18.D	-	-	-	(65,169)	(65,169)	(33,123)	(98,292)
Total contributions by and distributions to owners		-	-	1,222	(65,169)	(63,947)	(32,799)	(96,746)
Changes in ownership interests in subsidiaries								
Sale of subsidiary		-	-	-	-	-	299	299
Dilution in investment in subsidiary	10.A.1.o	-	-	-	41,863	41,863	34,537	76,400
Acquisition of non-controlling interests without a change in control		-	-	(1,234)	-	(1,234)	(450)	(1,684)
Total changes in ownership interests in subsidiaries		-	-	(1,234)	41,863	40,629	34,386	75,015
Total comprehensive income for the year								
Net profit for the year		-	-	-	(13,359)	(13,359)	15,801	2,442
Other comprehensive income for the year, net of tax		-	17,087	(2,880)	(3,201)	11,006	4,353	15,359
Total comprehensive income for the year		-	17,087	(2,880)	(16,560)	(2,353)	20,154	17,801
Balance at December 31, 2019		**602,450**	**17,889**	**13,962**	**(10,949)**	**623,352**	**88,436**	**711,788**

The accompanying notes are an integral part of the consolidated financial statements.

Kenon Holdings Ltd. and subsidiaries
Consolidated Statements of Cash Flows
For the years ended December 31, 2021, 2020 and 2019

		For the year ended December 31,		
		2021	2020	2019
	Note	$ Thousands		
Cash flows from operating activities				
Profit for the year		875,317	504,225	2,442
Adjustments:				
Depreciation and amortization		57,640	34,171	32,092
Financing expenses, net	22	141,361	36,883	12,267
Share in (profit)/losses of associated companies, net	8.A.2	(1,250,149)	(160,894)	41,430
Gains on disposal of property, plant and equipment, net		-	(1,551)	(492)
Net change in fair value of derivative financial instruments		-	-	352
Losses/(gains) related to Qoros	9	251,483	(309,918)	7,813
Losses/(gains) related to ZIM	8.B.a	204	(43,505)	-
Recovery of retained claims	25	-	(9,923)	(30,000)
Share-based payments		18,369	1,110	1,546
Income taxes	23	4,325	6,145	22,022
		98,550	56,743	89,472
Change in trade and other receivables		(1,171)	(9,669)	4,338
Change in trade and other payables		(429)	45,061	(5,968)
Cash generated from operating activities		96,950	92,135	87,842
Dividends received from associated companies		143,964	-	-
Income taxes (paid)/refunded, net		(385)	61	(2,453)
Net cash provided by operating activities		240,529	92,196	85,389

The accompanying notes are an integral part of the consolidated financial statements.

Kenon Holdings Ltd. and subsidiaries
Consolidated Statements of Cash Flows, continued
For the years ended December 31, 2021, 2020 and 2019

		For the year ended December 31,		
		2021	**2020**	**2019**
	Note		**$ Thousands**	
Cash flows from investing activities				
Short-term deposits and restricted cash, net		558,247	(501,618)	19,554
Investment in long-term deposits, net		51,692	6,997	(28,085)
Long-term advance deposits and prepaid expenses		(6,976)	(57,591)	-
Long term loan to an associate		(5,000)	-	-
Proceeds from sale of subsidiary, net of cash disposed off		-	407	880
Acquisition of subsidiary, less cash acquired	10.A.1.i	(659,169)	-	-
Acquisition of associated company, less cash acquired		(8,566)	-	-
Acquisition of property, plant and equipment		(231,235)	(74,456)	(34,141)
Acquisition of intangible assets		(1,452)	(368)	(258)
Proceeds from sale of property, plant and equipment and intangible assets		-	546	-
Reimbursement of right-of use asset		4,823	-	-
Interest received		269	709	2,469
Income tax paid		-	(32,332)	(5,629)
Deferred consideration in respect of acquisition of subsidiary		-	(13,632)	-
Payment of transactions in derivatives, net		(5,635)	(3,963)	(929)
Proceeds from sale of and distribution from associated companies		46,729	-	-
Proceeds from deferred payment		-	217,810	-
Proceeds from sales of interest in ZIM	8.B.a.5	67,087	-	-
Proceeds from sale of interest in Qoros	9.3	-	219,723	-
(Payment)/recovery of financial guarantee	9.6.d, 9.6.e	(16,265)	6,265	10,963
Recovery of retained claims	25	-	9,923	30,196
Net cash used in investing activities		(205,451)	(221,580)	(4,980)
Cash flows from financing activities				
Dividends paid to holders of non-controlling interests		(10,214)	(12,412)	(33,123)
Dividends paid		(100,209)	(120,115)	(65,169)
Investments of holders of non-controlling interests in the capital of a subsidiary		197,076	32	-
Costs paid in advance in respect of taking out of loans		(4,991)	(8,556)	(1,833)
Payment of early redemption commission with respect to the debentures	14.B	(75,820)	(11,202)	-
Payment in respect of derivative financial instruments, net		(13,933)	-	-
Proceeds from issuance of share capital by a subsidiary to non-controlling interests, net of issuance expenses	10.A.1.o, 10.A.1.p	142,334	216,844	76,400
Proceeds from long-term loans		343,126	73,236	-
Proceeds from issuance of debentures, net of issuance expenses	14.E	262,750	280,874	-
Repayment of long-term loans, debentures and lease liabilities		(562,016)	(130,210)	(28,235)
Short-term credit from banks and others, net		-	(134)	139
Acquisition of non-controlling interests		-	(7,558)	(413)
Interest paid		(31,523)	(24,989)	(21,414)
Net cash provided by/(used in) financing activities		146,580	255,810	(73,648)
Increase in cash and cash equivalents		181,658	126,426	6,761
Cash and cash equivalents at beginning of the year		286,184	147,153	131,123
Effect of exchange rate fluctuations on balances of cash and cash equivalents		6,702	12,605	9,269
Cash and cash equivalents at end of the year		474,544	286,184	147,153

The accompanying notes are an integral part of the consolidated financial statements.

Note 1 – Financial Reporting Principles and Accounting Policies

A. The Reporting Entity

Kenon Holdings Ltd. (the "Company" or "Kenon") was incorporated on March 7, 2014 in the Republic of Singapore under the Singapore Companies Act. Our principal place of business is located at 1 Temasek Avenue #37-02B, Millenia Tower, Singapore 039192.

The Company is a holding company and was incorporated to receive investments spun-off from their former parent company, Israel Corporation Ltd. ("IC"). The Company serves as the holding company of several businesses (together referred to as the "Group").

Kenon shares are traded on New York Stock Exchange ("NYSE") and on Tel Aviv Stock Exchange ("TASE") (NYSE and TASE: KEN).

B. Definitions

In these consolidated financial statements -

1. Subsidiaries – Companies whose financial statements are fully consolidated with those of Kenon, directly or indirectly.

2. Associates – Companies in which Kenon has significant influence and Kenon's investment is stated, directly or indirectly, on the equity basis.

3. Investee companies – subsidiaries and/or associated companies and/or long-term investment (Qoros).

4. Related parties – within the meaning thereof in Financial Reporting Standards 24 Related Parties.

Note 2 – Basis of Preparation of the Financial Statements

A. Declaration of compliance with Singapore Financial Reporting Standards (FRS)

The consolidated financial statements were prepared by management of the Group in accordance with Singapore Financial Reporting Standards ("FRS").

The consolidated financial statements were approved for issuance by the Company's Board of Directors on March 31, 2022.

B. Functional and presentation currency

These consolidated financial statements are presented in US dollars, which is Kenon's functional currency, and have been rounded to the nearest thousands, except where otherwise indicated. The US dollar is the currency that represents the principal economic environment in which Kenon operates.

C. Basis of measurement

The consolidated financial statements were prepared on the historical cost basis, with the exception of the following assets and liabilities:

- Deferred tax assets and liabilities
- Derivative instruments
- Assets and liabilities in respect of employee benefits
- Investments in associated companies
- Long-term investment (Qoros)

For additional information regarding measurement of these assets and liabilities – see Note 3 Significant Accounting Policies.

Note 2 – Basis of Preparation of the Financial Statements (Cont'd)

D. Use of estimates and judgment

The preparation of consolidated financial statements in conformity with FRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

1. **Allocation of acquisition costs**

The Group makes estimates with respect to allocation of excess consideration to tangible and intangible assets and to liabilities. The Group has considered the report from a qualified external valuer to establish the appropriate valuation techniques and inputs for this assessment. The valuation technique used for measuring the fair values of the material assets: property, plant and equipment, investment in associated companies, and intangible assets is the income approach, a present value technique to convert future amounts to a single current amount using relevant discount rates. The respective discount rates are estimates and require judgment and minor changes to the discount rates could have had a significant effect on the Group's evaluation of the transaction completion date fair values of the material assets. Refer to Note 10.A.1.i for further details.

In addition, in determining the depreciation rates of the tangible, intangible assets and liabilities, the Group estimates the expected life of the asset or liability.

2. **Long-term investment (Qoros)**

Following the sale of half of the Group's remaining interest in Qoros (i.e. 12%) as described in Note 9.3, as at December 31, 2020, the Group owned a 12% interest in Qoros. The long-term investment (Qoros) was a combination of the Group's remaining 12% interest in Qoros and the non-current portion of the put option (as described in Note 9.2). The long-term investment (Qoros) was determined using a combination of market comparison technique based on market multiples derived from the quoted prices of comparable companies adjusted for various considerations, and the binomial model. Fair value measurement of the long-term investment (Qoros) took into account the underlying asset's price volatility.

In April 2021, Quantum entered into an agreement to sell its remaining 12% equity interest in Qoros. As a result, Kenon accounted for the fair value of the long-term investment (Qoros) based on the present value of the expected cash flows. Refer to Note 9.5 for further details.

Note 3 – Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, unless otherwise stated.

A. First-time application of new accounting standards, amendments and interpretations

The Group has adopted a few new standards which are effective from January 1, 2021 but they do not have a material effect on the Group's consolidated financial statements.

B. Basis for consolidation/combination

(1) Business combinations

The Group accounts for all business combinations according to the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and asssets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The acquisition date is the date on which the Group obtains control over an acquiree. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the acquiree and it has the ability to affect those returns through its power over the acquiree. Substantive rights held by the Group and others are taken into account when assessing control.

The Group recognizes goodwill on acquisition according to the fair value of the consideration transferred less the net amount of the fair value of identifiable assets acquired less the fair value of liabilities assumed. Goodwill is initially recognized as an asset based on its cost, and is measured in succeeding periods based on its cost less accrued losses from impairment of value.

For purposes of examining impairment of value, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergy of the business combination. Cash-generating units to which goodwill was allocated are examined for purposes of assessment of impairment of their value every year or more frequently where there are signs indicating a possible impairment of value of the unit, as stated. Where the recoverable amount of a cash-generating unit is less than the carrying value in the books of that cash-generating unit, the loss from impairment of value is allocated first to reduction of the carrying value in the books of any goodwill attributed to that cash-generating unit. Thereafter, the balance of the loss from impairment of value, if any, is allocated to other assets of the cash-generating unit, in proportion to their carrying values in the books. A loss from impairment of value of goodwill is not reversed in subsequent periods.

If the Group pays a bargain price for the acquisition (meaning including negative goodwill), it recognizes the resulting gain in profit or loss on the acquisition date.

The Group recognizes contingent consideration at fair value at the acquisition date. The contingent consideration that meets the definition of a financial instrument that is not classified as equity will be measured at fair value through profit or loss; contingent consideration classified as equity shall not be remeasured and its subsequent settlement shall be accounted for within equity.

Furthermore, goodwill is not adjusted in respect of the utilization of carry-forward tax losses that existed on the date of the business combination.

Costs associated with acquisitions that were incurred by the acquirer in the business combination such as: finder's fees, advisory, legal, valuation and other professional or consulting fees are expensed in the period the services are received.

(2) Subsidiaries

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date when control ceased. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Company.

(3) Non-Controlling Interest ("NCI")

NCI comprises the equity of a subsidiary that cannot be attributed, directly or indirectly, to the parent company, and they include additional components such as: share-based payments that will be settled with equity instruments of the subsidiaries and options for shares of subsidiaries.

NCIs are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Measurement of non-controlling interests on the date of the business combination

Non-controlling interests, which are instruments that convey a present ownership right and that grant to their holder a share in the net assets in a case of liquidation, are measured on the date of the business combination at fair value or based on their relative share in the identified assets and liabilities of the entity acquired, on the basis of every transaction separately.

Transactions with NCI, while retaining control

Transactions with NCI while retaining control are accounted for as equity transactions. Any difference between the consideration paid or received and the change in NCI is included directly in equity.

Allocation of comprehensive income to the shareholders

Profit or loss and any part of other comprehensive income are allocated to the owners of the Group and the NCI. Total comprehensive income is allocated to the owners of the Group and the NCI even if the result is a negative balance of NCI.

Furthermore, when the holding interest in the subsidiary changes, while retaining control, the Group re-attributes the accumulated amounts that were recognized in other comprehensive income to the owners of the Group and the NCI.

Cash flows deriving from transactions with holders of NCI while retaining control are classified under "financing activities" in the statement of cash flows.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(4) Investments in equity-accounted investees

Associates are entities in which the Group has the ability to exercise significant influence, but not control, over the financial and operating policies. In assessing significant influence, potential voting rights that are currently exercisable or convertible into shares of the investee are taken into account.

Joint-ventures are arrangements in which the Group has joint control, whereby the Group has the rights to assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Associates and joint-venture are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the income and expenses in profit or loss and of other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

The Group's share of post-acquisition profit or loss is recognized in the income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term interests that form part thereof, is reduced to zero. When the Group's share of long-term interests that form a part of the investment in the investee is different from its share in the investee's equity, the Group continues to recognize its share of the investee's losses, after the equity investment was reduced to zero, according to its economic interest in the long-term interests, after the equity interests were reduced to zero. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the entity's net investment in the associate, the recognition of further losses is discontinued except to the extent that the Group has an obligation to support the investee or has made payments on behalf of the investee.

(5) Loss of significant influence

The Group discontinues applying the equity method from the date it loses significant influence in an associate and it accounts for the retained investment as a financial asset, as relevant.

On the date of losing significant influence, the Group measures at fair value any retained interest it has in the former associate. The Group recognizes in profit or loss any difference between the sum of the fair value of the retained interest and any proceeds received from the partial disposal of the investment in the associate or joint venture, and the carrying amount of the investment on that date.

Amounts recognized in equity through other comprehensive income with respect to such associates are reclassified to profit or loss or to retained earnings in the same manner that would have been applicable if the associate had itself disposed the related assets or liabilities.

(6) Change in interest held in equity accounted investees while retaining significant influence

When the Group increases its interest in an equity accounted investee while retaining significant influence, it implements the acquisition method only with respect to the additional interest obtained whereas the previous interest remains the same.

When there is a decrease in the interest in an equity accounted investee while retaining significant influence, the Group derecognizes a proportionate part of its investment and recognizes in profit or loss a gain or loss from the sale under other income or other expenses.

Furthermore, on the same date, a proportionate part of the amounts recognized in equity through other comprehensive income with respect to the same equity accounted investee are reclassified to profit or loss or to retained earnings in the same manner that would have been applicable if the associate had itself realized the same assets or liabilities.

(7) Intra-group transactions

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(8) Reorganizations under common control transactions

Common control transactions that involve the setup of a new group company and the combination of entities under common control are recorded using the book values of the parent company.

Note 3 – Significant Accounting Policies (Cont'd)

C. Foreign currency

(1) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rate at that date. Non-monetary items measured at historical cost would be reported using the exchange rate at the date of the transaction.

Foreign currency differences are generally recognized in profit or loss, except for differences relating to qualifying cash flow hedges to the extent the hedge is effective which are recognized in other comprehensive income.

(2) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into US dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated into US dollars at average exchange rates over the relevant period.

Foreign operation translation differences are recognized in other comprehensive income.

When the foreign operation is a non-wholly-owned subsidiary of the Group, then the relevant proportionate share of the foreign operation translation difference is allocated to the NCI.

When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as a part of the gain or loss on disposal.

Furthermore, when the Group's interest in a subsidiary that includes a foreign operation changes, while retaining control in the subsidiary, a proportionate part of the cumulative amount of the translation difference that was recognized in other comprehensive income is reattributed to NCI.

When the Group disposes of only part of its investment in an associate that includes a foreign operation, while retaining significant influence, the proportionate part of the cumulative amount of the translation difference is reclassified to profit or loss.

Generally, foreign currency differences from a monetary item receivable from or payable to a foreign operation, including foreign operations that are subsidiaries, are recognized in profit or loss in the consolidated financial statements.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income, and are presented within equity in the translation reserve.

D. Cash and Cash Equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and are subject to an insignificant risk of changes in their fair value.

Note 3 – Significant Accounting Policies (Cont'd)

E. Financial Instruments

a) <u>Classification and measurement of financial assets and financial liabilities</u>

Initial recognition and measurement

The Group initially recognizes trade receivables on the date that they are originated. All other financial assets and financial liabilities are initially recognized on the date on which the Group becomes a party to the contractual provisions of the instrument. As a rule, a financial asset, other than a trade receivable without a significant financing component, or a financial liability, is initially measured at fair value with the addition, for a financial asset or a financial liability that are not presented at fair value through profit or loss, of transaction costs that can be directly attributed to the acquisition or the issuance of the financial asset or the financial liability. Trade receivables that do not contain a significant financing component are initially measured at the transaction price. Trade receivables originating in contract assets are initially measured at the carrying amount of the contract assets on the date of reclassification from contract assets to receivables.

Financial assets - classification and subsequent measurement

On initial recognition, financial assets are classified as measured at amortized cost; fair value through other comprehensive income; or fair value through profit or loss. As at reporting date, the Group only holds financial assets measured at amortized cost and fair value through profit or loss.

Financial assets are not reclassified in subsequent periods, unless, and only to the extent that the Group changes its business model for the management of financial assets, in which case the affected financial assets are reclassified at the beginning of the reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets the two following cumulative conditions and is not designated for measurement at fair value through profit or loss:

- The objective of the entity's business model is to hold the financial asset to collect the contractual cash flows; and

- The contractual terms of the financial asset create entitlement on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group has balances of trade and other receivables and deposits that are held under a business model the objective of which is collection of the contractual cash flows. The contractual cash flows in respect of such financial assets comprise solely payments of principal and interest that reflects consideration for the time-value of the money and the credit risk. Accordingly, such financial assets are measured at amortized cost.

b) <u>Subsequent measurement</u>

In subsequent periods, these assets are measured at amortized cost, using the effective interest method and net of impairment losses. Interest income, currency exchange gains or losses and impairment are recognized in profit or loss. Any gains or losses on derecognition are also recognized in profit or loss.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. In subsequent periods, these assets are measured at fair value. Net gains and losses are recognized in profit or loss.

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

• the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

• how the performance of the portfolio is evaluated and reported to the Group's management;

• the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

• how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

• the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

If the Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognized.

Financial liabilities – Initial classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or at fair value through profit or loss. Financial liabilities are classified as measured at fair value through profit or loss if it is held for trading or it is designated as such on initial recognition, and are measured at fair value, and any net gains and losses, including any interest expenses, are recognized in profit or loss. Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are measured at amortized cost in subsequent periods, using the effective interest method. Interest expenses and currency exchange gains and losses are recognized in profit or loss. Any gains or losses on derecognition are also recognized in profit or loss.

Derecognition of financial liabilities

Financial liabilities are derecognized when the contractual obligation of the Group expires or when it is discharged or canceled. Additionally, a significant amendment of the terms of an existing financial liability, or an exchange of debt instruments having substantially different terms, between an existing borrower and lender, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability at fair value.

The difference between the carrying amount of the extinguished financial liability and the consideration paid (including any other non-cash assets transferred or liabilities assumed), is recognized in profit or loss.

Offset

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

c) Impairment

Financial assets, contract assets and receivables on a lease

The Group creates a provision for expected credit losses in respect of:

- Contract assets (as defined in FRS 115);
- Financial assets measured at amortized cost;
- Financial guarantees;
- Lease receivables.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables (including lease receivables) and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments and financial guarantees. Under the general approach, the loss allowance is measured at an amount equal to the 12-month ECLs at initial recognition.

At each reporting date, the Group assess whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

In assessing whether the credit risk of a financial asset has significantly increased since initial recognition and in assessing expected credit losses, the Group takes into consideration information that is reasonable and verifiable, relevant and attainable at no excessive cost or effort. Such information comprises quantitative and qualitative information, as well as an analysis, based on the past experience of the Group and the reported credit assessment, and contains forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group assumes that the credit risk of a financial asset has increased significantly since initial recognition whenever contractual payments are more than 30 days in arrears.

The Group considers a financial asset to be in default if:

- It is not probable that the borrower will fully meet its payment obligations to the Company, and the Company has no right to perform actions such as the realization of collaterals (if any); or
- The contractual payments in respect of the financial asset are more than 90 days in arrears.

The Group considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Group in full, without recourse by the Group to actions such as realizing security.

The Group considers a debt instrument as having a low credit risk if its credit risk coincides with the global structured definition of "investment rating".

Note 3 – Significant Accounting Policies (Cont'd)

The credit losses expected over the life of the instrument are expected credit losses arising from all potential default events throughout the life of the financial instrument.

Expected credit losses in a 12-month period are the portion of the expected credit losses arising from potential default events during the period of 12 months from the reporting date.

The maximum period that is taken into account in assessing the expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of expected credit losses

Expected credit losses represent a probability-weighted estimate of credit losses. Credit losses are measured at the present value of the difference between the cash flows to which the Group is entitled under the contract and the cash flows that the Group expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial asset.

The Group's credit risk exposure for trade receivables and contract asset are set out in Note 28 Financial Instruments.

Financial assets impaired by credit risk

At each reporting date, the Group assesses whether financial assets that are measured at amortized cost and debt instruments that are measured at fair value through other comprehensive income have become impaired by credit risk. A financial asset is impaired by credit risk upon the occurrence of one or more of the events (i.e. significant financial difficulty of the debtor) that adversely affect the future cash flows estimated for such financial asset.

Presentation of impairment

A provision for expected credit losses in respect of a financial asset that is measured at amortized cost is presented as a reduction of the gross carrying amount of the financial asset.

Impairment losses in respect of trade and other receivables, including contract assets and lease receivables, are presented separately in the statements of profit or loss and other comprehensive income. Impairment losses in respect of other financial assets are presented under financing expenses.

Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments.

Derivatives are recognized initially at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

The Group designates certain derivative financial instruments as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Hedge accounting

As of December 31, 2021 and 2020, hedge relationships designated for hedge accounting under FRS 39 qualify for hedge accounting under FRS 109, and are therefore deemed as continuing hedge relationships.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

Note 3 – Significant Accounting Policies (Cont'd)

Financial guarantees

The Group irrevocably elects on a contract by contract basis, whether to account for a financial guarantee in accordance with FRS 109 or FRS 104.

The Group considers a financial guarantee to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor.

When the Group elects to account for financial guarantees in accordance with FRS 109, they are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with FRS 109 and the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of FRS 115.

When the Group elects to account for financial guarantees in accordance with FRS 104, a provision is measured in accordance with FRS 37 when the financial guarantees become probable of being exercised.

F. Property, plant and equipment, net

(1) Recognition and measurement

Items of property, plant and equipment comprise mainly power station structures, power distribution facilities and related offices. These items are measured at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

- The cost of materials and direct labor;
- Any other costs directly attributable to bringing the assets to a working condition for their intended use;
- Spare parts, servicing equipment and stand-by equipment;
- When the Group has an obligation to remove the assets or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- Capitalized borrowing costs.

If significant parts of an item of property, plant and equipment items have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss in the year the asset is derecognized.

(2) Subsequent Cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group, and its cost can be measured reliably.

(3) Depreciation

Depreciation is calculated to reduce the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Leasehold improvements are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Diesel oil and spare parts are expensed off when they are used or consumed. Depreciation methods, useful lives and residual values are reviewed by management of the Group at each reporting date and adjusted if appropriate.

The following useful lives shown on an average basis are applied across the Group:

	Years
Roads, buildings and leasehold improvements (*)	3 – 30
Facilities, machinery and equipment	5 – 30
Wind turbines	35
Computers	3
Office furniture and equipment	3 – 16
Others	5 – 15

* The shorter of the lease term and useful life

Note 3 – Significant Accounting Policies (Cont'd)

G. Intangible assets, net

(1) Recognition and measurement

Goodwill	Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment; and any impairment loss is allocated to the carrying amount of the equity investee as a whole.
Customer relationships	Intangible assets acquired as part of a business combination and are recognized separately from goodwill if the assets are separable or arise from contractual or other legal rights and their fair value can be measured reliably. Customer relationships are measured at cost less accumulated amortization and any accumulated impairment losses.
Other intangible assets	Other intangible assets, including licenses, patents and trademarks, which are acquired by the Group having finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(2) Amortization

Amortization is calculated to charge to expense the cost of intangible assets less their estimated residual values using the straight-line method over their useful lives, and is generally recognized in profit or loss. Goodwill is not amortized.

The estimated useful lives for current and comparative year are as follows:

- Power purchase agreement — 10 years
- Others — 1-33 years

Amortization methods and useful lives are reviewed by management of the Group at each reporting date and adjusted if appropriate.

(3) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill is expensed as incurred.

H. Service Concession arrangements

The Group has examined the characteristics, conditions and terms currently in effect under its electric energy distribution license and the guidelines established by INT FRS 112. On the basis of such analysis, the Group concluded that its license is outside the scope of INT FRS 112, primarily because the grantor does not control any significant residual interest in the infrastructure at the end of the term of the arrangement and the possibility of renewal.

The Group accounts for the assets acquired or constructed in connection with the Concessions in accordance with FRS 16 Property, plant and equipment.

Note 3 – Significant Accounting Policies (Cont'd)

I. Leases

Definition of a lease

The Group assesses whether a contract is or contains a lease by assessing if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. For lease contracts that include components that are not lease components, such as services or maintenance which relate to the lease component, the Group elected to treat the lease component separately.

As a lessee

The Group recognizes right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet. However, the Group has elected not to recognize right-of-use assets and lease liabilities for some leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which affects the amount of lease liabilities and right-of-use assets recognized.

Depreciation of right-of-use asset

Subsequent to the commencement date of the lease, a right-of-use asset is measured using the cost method, less accumulated depreciation and accrued losses from decline in value and is adjusted in respect of re-measurements of the liability in respect of the lease. The depreciation is calculated on the "straight-line" basis over the useful life or the contractual lease period – whichever is shorter.

	Years
Land	19 – 49
Pressure regulation and management system facility	24
Offices	3 – 9

J. Borrowing costs

Specific and non-specific borrowing costs are capitalized to qualifying assets throughout the period required for completion and construction until they are ready for their intended use. Non-specific borrowing costs are capitalized in the same manner to the same investment in qualifying assets, or portion thereof, which was not financed with specific credit by means of a rate which is the weighted-average cost of the credit sources which were not specifically capitalized. Foreign currency differences from credit in foreign currency are capitalized if they are considered an adjustment of interest costs. Other borrowing costs are expensed as incurred. Income earned on the temporary investment of specific credit received for investing in a qualifying asset is deducted from the borrowing costs eligible for capitalization.

Note 3 – Significant Accounting Policies (Cont'd)

K. Impairment of non-financial assets

At each reporting date, management of the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment, and whenever impairment indicators exist.

For impairment testing, assets are grouped together into smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Goodwill arising from a business combination is allocated to CGUs or group of CGUs that are expected to benefit from these synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an assessment is performed at each reporting date for any indications that these losses have decreased or no longer exist. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

L. Employee benefits

(1) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably. The employee benefits are classified, for measurement purposes, as short-term benefits or as other long-term benefits depending on when the Group expects the benefits to be wholly settled.

(2) Bonus plans transactions

The Group's senior executives receive remuneration in the form of share-appreciations rights, which can only be settled in cash (cash-settled transactions). The cost of cash-settled transactions is measured initially at the grant date and is recognized as an expense with a corresponding increase in liabilities over the period that the employees become unconditionally entitled to payment. With respect to grants made to senior executives of OPC Energy Ltd ("OPC"), this benefit is calculated by determining the present value of the settlement (execution) price set forth in the plan. The liability is re-measured at each reporting date and at the settlement date based on the formulas described above. Any changes in the liability are recognized as operating expenses in profit or loss.

(3) Termination Benefits

Severance pay is charged to income statement when there is a clear obligation to pay termination of employees before they reach the customary age of retirement according to a formal, detailed plan, without any reasonable chance of cancellation. The benefits given to employees upon voluntary retirement are charged when the Group proposes a plan to the employees encouraging voluntary retirement, it is expected that the proposal will be accepted and the number of employee acceptances can be estimated reliably.

(4) Defined Benefit Plans

The calculation of defined benefit obligation is performed at the end of each reporting period by a qualified actuary using the projected unit credit method. Remeasurements of the defined benefit liability, which comprise actuarial gains and losses and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. Interest expense and other expenses related to defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(5) Share-based compensation plans

Qualifying employees are awarded grants of the Group's shares under the Group's 2014 Share Incentive Plan ("Share Incentive Plan"). The fair value of the grants are recognized as an employee compensation expense, with a corresponding increase in equity over the service period – the period that the employee must remain employed to receive the benefit of the award. At each balance sheet date, the Group revises its estimates of the number of grants that are expected to vest. It recognises the impact of the revision of original estimates in employee expenses and in a corresponding adjustment to equity over the remaining vesting period.

M. Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

N. Revenue recognition

The Group recognizes revenue when the customer obtains control over the promised goods or services. The revenue is measured according to the amount of the consideration to which the Group expects to be entitled in exchange for the goods or services promised to the customer.

Revenues from the sale of electricity and steam are recognized in the period in which the sale takes place in accordance with the price set in the electricity sale agreements and the quantities of electricity supplied. Furthermore, the Group's revenues include revenues from the provision of asset management services to power plants and recognized in accordance to the service provision rate.

When setting the transaction price, the Group takes into consideration fixed amounts and amounts that may vary as a result of discounts, credits, price concessions, penalties, claims and disputes and contract modifications that the consideration in their respect has not yet been agreed by the parties.

The Group includes variable consideration, or part of it, in the transaction price only when it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been subsequently resolved. At the end of each reporting period and if necessary, the Group revises the amount of the variable consideration included in the transaction price.

Key agent or a principal

When another party is involved in providing goods or services to a customer, the Group shall determine whether the nature of its promise is a performance obligation to provide the specified or services itself (i.e., the Group is a principal) or to arrange for those services to be provided by the other party (i.e., the Group is an agent), and therefore recognizes the revenue as the net fee amount.

The Group is a principal if it controls the specified service before that service is transferred to a customer. Indicators that the Group controls the specified service before it is transferred to the customer include the following: The Group is primarily responsible for fulfilling the promise to provide the specified service; the entity bears a risk before the specified service has been transferred to a customer; and the Group has discretion in establishing the price for the specified service.

Note 3 – Significant Accounting Policies (Cont'd)

O. Government grants

Government grants related to distribution projects are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recorded at the value of the grant received and any difference between this value and the actual construction cost is recognized in profit or loss of the year in which the asset is released.

Government grants related to distribution assets are deducted from the related assets. They are recognized in statement of income on a systematic basic over the useful life of the related asset reducing the depreciation expense.

P. Deposits received from consumers

Deposits received from consumers, plus interest accrued and less any outstanding debt for past services, are refundable to the users when they cease using the electric energy service rendered by the Group. The Group has classified these deposits as current liabilities since the Group does not have legal rights to defer these payments in a period that exceed a year. However, the Group does not anticipate making significant payments in the next year.

Q. Energy purchase

Costs from energy purchases either acquired in the spot market or from contracts with suppliers are recorded on an accrual basis according to the energy actually delivered. Purchases of electric energy, including those which have not yet been billed as of the reporting date, are recorded based on estimates of the energy supplied at the prices prevailing in the spot market or agreed-upon in the respective purchase agreements, as the case may be.

R. Financing income and expenses

Financing income includes income from interest on amounts invested and gains from exchange rate differences. Interest income is recognized as accrued, using the effective interest method.

Financing expenses include interest on loans received, commitment fees on borrowings, and changes in the fair value of derivatives financial instruments presented at fair value through profit or loss, and exchange rate losses. Borrowing costs, which are not capitalized, are recorded in the income statement using the effective interest method.

In the statements of cash flows, interest received is presented as part of cash flows from investing activities. Dividends received are presented as part of cash flows from operating activities. Interest paid and dividends paid are presented as part of cash flows from financing activities. Accordingly, financing costs that were capitalized to qualifying assets are presented together with interest paid as part of cash flows from financing activities. Gains and losses from exchange rate differences and gains and losses from derivative financial instruments are reported on a net basis as financing income or expenses, based on the fluctuations on the rate of exchange and their position (net gain or loss).

The Group's finance income and finance costs include:

- Interest income;
- Interest expense;
- The net gain or loss on the disposal of held-for-sale financial assets;
- The net gain or loss on financial assets at fair value through profit or loss;
- The foreign currency gain or loss on financial assets and financial liabilities;
- The fair value loss on contingent consideration classified as financial liability;
- Impairment losses recognized on financial assets (other than trade receivables);
- The net gain or loss on hedging instruments that are recognized in profit or loss; and
- The reclassification of net gains previously recognized in OCI.

Interest income or expense is recognized using the effective interest method.

Note 3 – Significant Accounting Policies (Cont'd)

S. Income taxes

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax liability arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

(ii) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- Temporary differences related to investments in subsidiaries and associates where the Group is able to control the timing of the reversal of the temporary differences and it is not probable that they will reverse it in the foreseeable future; and

- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profit improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Management of the Group regularly reviews its deferred tax assets for recoverability, taking into consideration all available evidence, both positive and negative, including historical pre-tax and taxable income, projected future pre-tax and taxable income and the expected timing of the reversals of existing temporary differences. In arriving at these judgments, the weight given to the potential effect of all positive and negative evidence is commensurate with the extent to which it can be objectively verified.

Management believes the Group's tax positions are in compliance with applicable tax laws and regulations. Tax benefits are recognized only for tax positions that are more likely than not to be sustained upon examination by tax authorities. The Group believes that its liabilities for unrecognized tax benefits, including related interest, are adequate in relation to the potential for additional tax assessments. There is a risk, however, that the amounts ultimately paid upon resolution of audits could be materially different from the amounts previously included in our income tax expense and, therefore, could have a material impact on our tax provision, net income and cash flows.

(iii) Uncertain tax positions

A provision for uncertain tax positions, including additional tax and interest expenses, is recognized when it is more probable than not that the Group will have to use its economic resources to pay the obligation.

Note 3 – Significant Accounting Policies (Cont'd)

T. Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary share capital. The basic earnings per share are calculated by dividing income or loss allocable to the Group's ordinary equity holders by the weighted-average number of ordinary shares outstanding during the period. The diluted earnings per share are determined by adjusting the income or loss allocable to ordinary equity holders and the weighted-average number of ordinary shares outstanding for the effect of all potentially dilutive ordinary shares including options for shares granted to employees.

U. Share capital – ordinary shares

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognized as a deduction from equity.

V. Discontinued operations

A discontinued operation is a component of the Group´s business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business or geographic area of operations,
- Is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to re-sell.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative year.

The changes in each cash flow based on operating, investing and financing activities are reported in Note 25 Discontinued Operations.

W. Operating segment and geographic information

The Company's CEO and CFO are considered to be the Group's chief operating decision maker ("CODM"). As at December 31, 2021, based on the internal financial information provided to the CODM, the Group has determined that it has four reportable segments, which are OPC Israel, CPV Group, ZIM and Quantum. These segments are based on the different services offered in different geographical locations and also based on how they are managed. Comparative information has been restated.

The following summary describes the Group's reportable segments:

1. **OPC Israel –** OPC Israel Ltd. ("OPC Israel") is a wholly owned subsidiary of OPC Energy Ltd. ("OPC"), which generates and supply electricity and energy in Israel.
2. **CPV Group** – CPV Group LP ("CPV Group") is a limited partnership owned by OPC, which generates and supply electricity and energy in the United States.
3. **ZIM** – ZIM Integrated Shipping Services, Ltd., an associated company, is an Israeli global container shipping company.
4. **Quantum** – Quantum (2007) LLC is a wholly owned subsidiary of Kenon which holds Kenon's interest in Qoros Automotive Co. Ltd. ("Qoros"). Qoros is a China-based automotive company that is jointly-owned by Quantum together with Baoneng Group and Wuhu Chery Automobile Investment Co., Ltd., ("Wuhu Chery").

In addition to the segments detailed above, the Group has other activities, such as investment holding categorized as Others.

The CODM evaluates the operating segments performance based on Adjusted EBITDA. Adjusted EBITDA is defined as the net income (loss) excluding depreciation and amortization, financing income, financing expenses, income taxes and other items.

The CODM evaluates segment assets based on total assets and segment liabilities based on total liabilities.

The accounting policies used in the determination of the segment amounts are the same as those used in the preparation of the Group's consolidated financial statements, Inter-segment pricing is determined based on transaction prices occurring in the ordinary course of business.

In determining the information to be presented on a geographical basis, revenue is based on the geographic location of the customer and non-current assets are based on the geographic location of the assets.

Note 3 – Significant Accounting Policies (Cont'd)

X. Inventories

Inventories are measured at the lower of cost or net realizable value. The cost of raw material inventories is determined using the first in, first out (FIFO) method. The cost of inventories of finished goods is determined on the basis of average cost, including materials, labor and the attributable share of production overheads, based on normal capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs required for the sale.

Y. Transactions with controlling shareholders

Assets, liabilities and benefits with respect to which a transaction is executed with the controlling shareholders are measured at fair value on the transaction date. The Group records the difference between the fair value and the consideration in equity.

Z. New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2021 and have not been applied in preparing these consolidated financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements:

- Classification of Liabilities as Current or Non-current (Amendments to FRS 1),

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to FRS 110 and FRS 28).

Note 4 – Determination of Fair Value

A. Derivatives and Long-term investment (Qoros)

See Note 28 Financial Instruments.

B. Non-derivative financial liabilities

Non-derivative financial liabilities are measured at their respective fair values, at initial recognition and for disclosure purposes, at each reporting date. Fair value for disclosure purposes, is determined based on the quoted trading price in the market for traded debentures, whereas for non-traded loans, debentures and other financial liabilities is determined by discounting the future cash flows in respect of the principal and interest component using the market interest rate as at the date of the report.

Note 5 – Cash and Cash Equivalents

	As at December 31,	
	2021	2020
	$ Thousands	
Cash in banks	425,017	255,750
Time deposits	49,527	30,434
	474,544	286,184

Note 6 – Short-Term Deposits and Restricted Cash

	As at December 31,	
	2021	2020
	$ Thousands	
Short-term deposits and restricted cash (1)	229	564,247

(1) A significant portion of the balance in 2020 was used to pay for the acquisition of CPV in January 2021. For further details, refer to Note 10.a.1.i.

Note 7 – Other Current Assets

	As at December 31,	
	2021	2020
	$ Thousands	
Advances to suppliers	459	876
Inventories	1,706	-
Prepaid expenses	6,639	4,061
Government institutions	5,029	3,192
Indemnification asset (1)	9,047	9,047
Deposits in connection with projects under construction	16,398	-
Others	4,101	4,119
	43,379	21,295

(1) Relates to compensation receivable from OPC Hadera contractor as a result of the delay in the construction of the Hadera Power Plant. Please refer to Note 17.A.f for further details.

Note 8 – Investment in Associated Companies

A. Condensed information regarding significant associated companies

1. Condensed financial information with respect to the statement of financial position

	ZIM		CPV Fairview	CPV Maryland	CPV Shore	CPV Towantic	CPV Valley	CPV Three Rivers
	As at December 31,							
	2021	2020	2021	2021	2021	2021	2021	2021
	$ Thousands							
Principal place of business	International		US	US	US	US	US	US
Proportion of ownership interest	26%	32%	25%	25%	37.5%	26%	50%	10%
Current assets	5,084,865	1,201,628	107,380	26,649	45,538	38,558	35,783	2,997
Non-current assets	4,756,973	1,622,613	986,321	669,668	1,039,153	952,997	705,501	949,385
Current liabilities	(2,756,595)	(1,151,510)	(136,136)	(37,067)	(7,904)	(124,247)	(85,176)	(20,921)
Non-current liabilities	(2,485,714)	(1,398,276)	(591,169)	(356,838)	(727,037)	(538,750)	(537,310)	(708,402)
Total net assets	4,599,529	274,455	366,396	302,412	349,750	328,558	118,798	223,059
Group's share of net assets	1,182,810	85,525	91,599	75,603	131,261	85,425	59,399	56,021
Adjustments:								
Write back of assets and investment	-	43,505	-	-	-	-	-	-
Excess cost	171,402	168,118	81,678	(14,854)	(56,330)	26,799	(1,223)	8,379
Book value of investment	1,354,212	297,148	173,277	60,749	74,931	112,224	58,176	64,400
Investments in associated companies	1,354,212	297,148	173,277	60,749	74,931	112,224	58,176	64,400

As at December 31, 2021, the Group also has interests in a number of individually immaterial associates.

Note 8 – Investment in Associated Companies (Cont'd)

2. Condensed financial information with respect to results of operations

	ZIM			CPV Fairview	CPV Maryland	CPV Shore	CPV Towantic	CPV Valley	CPV Three Rivers	Qoros*	
	For the year ended December 31,										
	2021	2020	2019	2021	2021	2021	2021	2021	2021	2020***	2019
	$ Thousands										
Revenue	10,728,698	3,991,696	3,299,761	199,030	170,292	189,985	258,292	139,473	174	23,852	349,832
Income / loss**	4,640,305	517,961	(18,149)	9,666	5,420	16,247	18,520	(58,793)	(9,281)	(52,089)	(312,007)
Other comprehensive income **	(3,462)	5,854	(9,999)	11,192	10,983	7,779	11,140	3,710	19,361	(3)	(8)
Total comprehensive income	4,636,843	523,815	(28,148)	20,858	16,403	24,026	29,660	(55,083)	10,080	(52,092)	(312,015)
Kenon's share of comprehensive income	1,258,913	167,621	(9,007)	5,214	4,101	9,017	7,711	(27,542)	1,008	(6,251)	(37,442)
Adjustments	1,116	1,394	1,432	(1,249)	2,354	3,644	50	681	-	3	386
Kenon's share of comprehensive income presented in the books	1,260,029	169,015	(7,575)	3,965	6,455	12,661	7,761	(26,861)	1,008	(6,248)	(37,056)

* The depreciation and amortization, interest income, interest expense and income tax expenses recorded by Qoros during 2020 were approximately $13 million, $1 million, $18 million and $nil thousand (2019: $172 million, $6 million, $49 million and $33 thousand) respectively.

** Excludes portion attributable to non-controlling interest.

*** The 2020 equity accounted results reflect Kenon's share of losses in Qoros until the completion date of the sale, i.e. April 29, 2020. Subsequent to that, Qoros was reclassified as to Long-term investment (Qoros). Refer to Note 9 for further details.

Note 8 – Investment in Associated Companies (Cont'd)

B. Additional information

a. ZIM

1. The container shipping industry is characterized in recent years by volatility in freight rates, charter rates and bunker prices, accompanied by significant uncertainties in the global trade (including further implications from COVID-19, or the recent conflict between Russia and Ukraine). Current market conditions are impacted positively by increased freight rates and trade volumes.

   In view of the aforementioned business environment and in order to constantly improve ZIM's results of operations and liquidity position, ZIM continues to optimize its network by entering into new partnerships and cooperation agreements and by upgrading its customer's offerings, whilst seeking operational excellence and cost efficiencies. In addition, ZIM continues to explore options which may contribute to strengthen its capital and operational structure.

2. Financial position

   As of December 31, 2021, ZIM's total equity amounted to $4.6 billion (2020: $274 million) and its working capital amounted to $2.3 billion (2020: $50 million). During the year ended December 31, 2021, ZIM recorded operating profit of $5.8 billion (2020: $722 million; 2019: $153 million) and net profit of $4.6 billion (2020: $524 million; 2019: $(13) million).

		For the year ended December 31	
		2021	2020
	Note	$ Thousands	$ Thousands
Gain on dilution from ZIM IPO	8.B.a.3	9,724	-
Loss on dilution from ZIM options exercised	8.B.a.4	(39,438)	-
Gain on sale of ZIM shares	8.B.a.5	29,510	-
Write back of impairment of investment	8.B.a.9	-	43,505
		(204)	43,505

3. Initial public offering

   In February 2021, ZIM completed its initial public offering ("IPO") of 15,000,000 ordinary shares (including shares issued upon the exercise of the underwriters' option), for gross consideration of $225 million (before deducting underwriting discounts and commissions or other offering expenses). ZIM's ordinary shares began trading on the NYSE on January 28, 2021.

   Prior to the IPO, ZIM obtained waivers from its notes holders, subject to the completion of ZIM's IPO, by which certain requirements and limitations in respect of repurchase of debt, incurrences of debt, vessel financing, reporting requirements and dividend distributions, were relieved or removed.

   As a result of the IPO, Kenon's interest in ZIM was diluted from 32% to 28%. Following the IPO, Kenon recognized a gain on dilution of $10 million in its consolidated financial statements in 2021.

4. Exercise of ZIM options

   In August 2021, ZIM issued approximately 4 million shares as a result of options being exercised. As a result of the issuance, Kenon recognized a loss on dilution of approximately $27 million in its consolidated financial statements.

   In December 2021, ZIM issued approximately 1.2 million shares as a result of options being exercised. As a result of the issuance, Kenon recognized a loss on dilution of approximately $13 million in its consolidated financial statements.

5. Sales of ZIM shares

   Between September and November 2021, Kenon sold approximately 1.2 million ZIM shares at an average price of $58 per share for a total consideration of approximately $67 million. As a result, Kenon recognized a gain on sale of approximately $30 million in its consolidated financial statements. As at December 31, 2021, as a result of the sales of ZIM shares and the issuance of new shares described in Note 8.B.a.4, Kenon's interest in ZIM reduced from 28% to 26%.

Note 8 – Investment in Associated Companies (Cont'd)

6. Notes repurchase

In June 2020, ZIM completed an early and full repayment of its Tranche A loans of amount $13 million. Following such repayment, certain financial covenants, such as "Total leverage ratio" and "Fixed charge cover ratio", as well as restrictions related to assets previously securing such loans, were removed.

In September 2020, ZIM launched a tender offer to repurchase, at its own discretion, some of its notes of Tranches C and D (Series 1 and 2 Notes) up to an amount of $60 million (including related costs). In October 2020, ZIM completed the repurchase of Tranche C notes with an aggregated face value of $58 million for a total consideration (including related costs) of $47 million, resulting in a gain from repurchase of debt of $6 million.

In March 2021, ZIM made an early repayment of $85 million of its Series 1 notes (Tranche C). In June 2021, ZIM made an additional early repayment in respect of its Series 1 and Series 2 notes (Tranches C and D), of aggregate amount $349 million. This reflects a full settlement of the outstanding indebtedness related to such notes and resulted in the removal of related provisions and limitations.

7. Dividends

In May 2021, ZIM's board of directors approved a dividend of approximately $2 per share (an aggregate amount of approximately $237 million), to ZIM's shareholders of record as of the close of trading on August 25, 2021, paid on September 15, 2021. Kenon's share was $61 million (net of taxes).

In November 2021, ZIM's board of directors approved an additional dividend of $2.50 per share (an aggregate amount of approximately $299 million), to ZIM's shareholders of record as of the close of trading on December 16, 2021, paid on December 27, 2021. Kenon's share was $73 million (net of taxes).

8. Factoring facility

In 2019, ZIM entered into a revolving arrangement with a financial institution, subject to periodical renewals, for the recurring sale, meeting the criteria of "true sale", of portion of receivables, designated by ZIM. According to this arrangement, an agreed portion of each designated receivable is sold to the financial institution in consideration of cash in the amount of the portion sold (limited to an aggregated amount of $100 million), net of the related fees. The collection of receivables previously sold, enables the recurring utilization of the above-mentioned limit. The true sale of the receivables under this arrangement meets the conditions for derecognition of financial assets as prescribed in FRS 109.

As at December 31, 2021, no amounts with withdrawn under this facility (2020: $2 million). Further to this arrangement, ZIM is required to comply with a minimum balance of cash (as determined in the agreement) in the amount of $125 million, as well as with other requirements customarily applied in such arrangements. As at December 31, 2021, ZIM complies with its financial covenants. ZIM's liquidity amounts to $3.6 billion.

Subsequent to year end, the agreement was renewed to expire in February 2023.

9. Impairment assessment

For the purpose of FRS 28, Kenon did not identify any objective evidence that its net investment in ZIM was impaired as at 31 December 31, 2021.

Due to an improvement in ZIM's financial performance in 2020, Kenon, independently from ZIM, appointed a third-party to perform a valuation of its 32% equity investment in ZIM in accordance with FRS 28 and FRS 36. For the year ended December 31, 2020, Kenon concluded that the carrying amount of the investment in ZIM is lower than the recoverable amount, and therefore, an impairment reversal was recognized. In 2016, Kenon recognized an impairment loss of $72 million in relation to its carrying value of ZIM. In 2017, Kenon recorded an impairment write-back of $28 million. Based on the valuation described above, in 2020, Kenon recorded a write back of impairment of $44 million in the consolidated statements of profit and loss, and after accounting for its share of profits in ZIM for the year, resulted in a carrying value in ZIM as at December 31, 2020 of $297 million.

Note 8 – Investment in Associated Companies (Cont'd)

For the purposes of Kenon's impairment assessment of the Group's investment, ZIM is considered one CGU, which consists of all of ZIM's operating assets. The recoverable amount is based on the higher of the value-in-use and the fair value less cost of disposal ("FVLCOD"). The valuation is predominantly based on publicly available information and earnings of ZIM over the 12-month period to December 31, 2020. The valuation approach was based on the equity method, recognizing the cost of investment share of profits in ZIM, and subsequently to assess a maintainable level of earnings to form a view on the appropriate valuation range as at December 31, 2020.

The following data points and benchmarks were considered by the independent valuer:

1) An implied EV/EBITDA range of 5.5x to 6.5x based on LTM EBITDA multiples of comparable companies as of latest publicly available financial information;

2) An estimated sustainable EBITDA computed based on the average EBITDA of the last three years; and

3) Costs of disposal of 2% of EV.

The independent valuer arrived at a range of equity valued between $430 million and $585 million after adjustments for Net Debt. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used.

10. Restrictions

The holders of ordinary shares of ZIM are entitled to receive dividends when declared and are entitled to one vote per share at meetings of ZIM. All shares rank equally with regard to the ZIM's residual assets, except as disclosed below.

In the framework of the process of privatizing ZIM, all the State of Israel's holdings in ZIM (about 48.6%) were acquired by IC pursuant to an agreement from February 5, 2004. As part of the process, ZIM allotted to the State of Israel a Special State Share so that it could protect the vital interests of the State.

On July 14, 2014 the State of Israel and ZIM reached a settlement agreement (the "Settlement Agreement") that was validated as a judgment by the Supreme Court. The Settlement Agreement provides, inter alia, the following arrangement shall apply: the State's consent is required to any transfer of the shares in ZIM which confers on the holder a holding of 35% and more of the ZIM's share capital. In addition, any transfer of shares which confers on the holders a holding exceeding 24% but not exceeding 35%, shall require prior notice to the State. To the extent the State determines that the transfer involves a potential damage to the State's security or any of its vital interests or if the State did not receive the relevant information in order to formulate a decision regarding the transfer, the State shall be entitled to inform, within 30 days, that it objects to the transfer, and it will be required to reason its objection. In such an event, the transferor shall be entitled to approach a competent court on this matter.

Kenon's ownership of ZIM's shares is subject to the terms and conditions of the Special State Share, which limit Kenon's ability to transfer its equity interest in us to third parties. The holder of ZIM's Special State Share has granted a permit, or the Permit, to Kenon and Mr. Idan Ofer, individually and collectively referred to in this paragraph as a "Permitted Holder" of ZIM's shares, pursuant to which the Permitted Holders may hold 24% or more of the means of control of ZIM (but no more than 35% of the means of control of ZIM), and only to the extent that this does not grant the Permitted Holders control in ZIM. The Permit further stipulates that it does not limit the Permitted Holder from distributing or transferring ZIM's shares. However, the terms of the Permit provide that the transfer of the means of control of ZIM is limited in instances where the recipient is required to obtain the consent of the holder of ZIM's Special State Share, or is required to notify the holder of ZIM's Special State Share of its holding of ZIM's ordinary shares pursuant to the terms of the Special State Share, unless such consent was obtained by the recipient or the State of Israel did not object to the notice provided by the recipient. In addition, the terms of the Permit provide that, if Idan Ofer's holding interest in Kenon, directly or indirectly, falls below 36% or if Idan Ofer ceases to be the sole controlling shareholder of Kenon, then the shares held by Kenon will not grant Kenon any right in respect of its ordinary shares that would otherwise be granted to an ordinary shareholder holding more than 24% of ZIM's ordinary shares (even if Kenon holds a greater percentage of ZIM's ordinary shares), until or unless the State of Israel provides its consent, or does not object to, such decrease in holding interest or control in Kenon. "Control", for the purposes of the Permit, shall bear the meaning ascribed to it in the Permit with respect to certain provisions. Additionally, the State of Israel may revoke Kenon's permit if there is a material change in the facts upon which the State of Israel's consent was based, or upon a breach of the provisions of the Special State Share by Kenon, Mr. Ofer, or ZIM. According to the Permit, the obligations of the Permitted Holder under the Permit will apply only for as long as the Permitted Holder holds more than 24% of ZIM's shares.

Note 8 – Investment in Associated Companies (Cont'd)

b. <u>OPC's associated companies</u>

1. CPV Three Rivers, LLC ("CPV Three Rivers")

CPV Three Rivers is a project under construction in Illinois, United States. The commercial operation date is expected to be in Q2 2023, and the total construction cost (in respect of 100% of the project) is expected to be approximately $1,293 million.

In respect of an interest of 17.5% in the rights to the Three Rivers construction project (the "Construction Project"), a Sellers' Loan in the amount of $95 million (the "Sellers' Loan") was provided to the CPV Group. The Seller's Loan was granted for a period of up to two years from the Transaction Completion Date, bore interest at an annual rate of 4.5%, to be paid quarterly and was secured by a lien on shares of the holding company that owns the rights in the project under construction and rights pursuant to the management agreement of the project under construction.

On February 3, 2021, the transaction for sale of 7.5% of the rights in the Construction Project was completed for a consideration of approximately $41 million which was served for repayment as part of the Sellers' Loan. No gain or loss was recognized on the sale. The remaining 10% equity interest continued to be subject to the Sellers' Loan of approximately $55 million, which was repaid in October 2021.

<u>Loans</u>

As at December 31, 2021, CPV Three Rivers has outstanding debt of approximately $707 million. The final repayment date is June 30, 2028, and the rate and scope of the repayment of the loan principal varies until the final repayment, in accordance with a combination of amortization and cash sweep repayment mechanisms. The variable interest is set at LIBOR plus a spread ranging from 3.5% to 4% per year, and the fixed interest is at an annual rate of 4.75%. As a result of the loan, CPV Three Rivers is subject to certain covenants and distribution restrictions.

2. CPV Fairview, LLC ("CPV Fairview")

CPV Fairview is a power plant in Pennsylvania, United States using natural gas and combined cycle technology whose commercial operations started in 2019.

<u>Loans</u>

As at December 31, 2021, CPV Fairview has outstanding debt of approximately $662 million. The final repayment date is June 30, 2025, and the rate and scope of the repayment of the loan principal varies until the final repayment, in accordance with a combination of amortization and cash sweep repayment mechanisms. The variable interest is set at LIBOR plus a spread ranging from 2.5% to 2.75% per year, and the fixed interest is at an annual rate of 5.78%. As a result of the loan, CPV Fairview is subject to certain covenants and distribution restrictions.

3. CPV Maryland, LLC ("CPV Maryland")

CPV Maryland is a power plant in Maryland, United States using natural gas and combined cycle technology whose commercial operations started in 2017.

<u>Loans</u>

As at December 31, 2021, CPV Maryland has outstanding debt of approximately $371million. The final repayment dates of the loan and ancillary credit facilities are May 2028 and November 2027, respectively. The rate and scope of the repayment of the loan principal varies until the final repayment, in accordance with a combination of amortization and cash sweep repayment mechanisms. The loans are subject to interest rates of LIBOR plus 4% per term loan and LIBOR plus 2.75% for ancillary credit facilities. As a result of the loan, CPV Maryland is subject to certain covenants and distribution restrictions.

4. CPV Shore Holdings, LLC ("CPV Shore")

CPV Shore is a power plant in New Jersey, United States using natural gas and combined cycle technology whose commercial operations started in 2016.

<u>Loans</u>

As at December 31, 2021, CPV Shore has outstanding debt of approximately $504 million. The final repayment date of the loans and ancillary credit facilities are December 27, 2025 and December 27, 2023, respectively. The rate and scope of the repayment of the loan principal varies until the final repayment, in accordance with a combination of amortization and cash sweep repayment mechanisms. The loans are subject to interest rates of LIBOR plus 3.75% per term loan and LIBOR plus 3% for ancillary credit facilities. As a result of the loan, CPV Shore is subject to certain covenants and distribution restrictions.

5. CPV Towantic, LLC ("CPV Towantic")

CPV Towantic is a power plant in Connecticut, United States using natural gas/dual-fuel and combined cycle technology whose commercial operations started in 2018.

Loans

As at December 31, 2021, CPV Towantic has outstanding debt of approximately $598 million. The final repayment date is June 30, 2025, and the rate and scope of the repayment of the loan principal varies until the final repayment, in accordance with a combination of amortization and cash sweep repayment mechanisms. The debt is subject to interest of LIBOR plus a spread ranging from 2.75% to 3.25%. As a result of the loan, CPV Towantic is subject to certain covenants and distribution restrictions.

6. CPV Valley Holdings, LLC ("CPV Valley")

CPV Valley is a power plant in New York, United States using natural gas/dual-fuel and combined cycle technology whose commercial operations started in 2018.

Loans

As at December 31, 2021, CPV Valley has outstanding debt of approximately $578 million. The final repayment date of the loan is June 30, 2023. The rate and scope of the repayment of the loan principal varies until the final repayment, in accordance with a combination of amortization and cash sweep repayment mechanisms. The loan is subject to interest rate of LIBOR plus spread ranging from 3.5% to 3.75%. As a result of the loan, CPV Valley is subject to certain covenants and distribution restrictions.

In April 2021 some expedients were received for the ancillary credit facilities in exchange for a commitment to provide equity in the cumulative amount of $10 million from the investors in the project (a commitment of $5 million was provided in April 2021 by CPV Valley and the other investor. The withdrawals are provided as shareholder loans bearing annual interest at a rate of 5%). The expedients pertain to a waiver of the annual repayment obligation of the working capital loans and release of $5 million in restricted working capital due to a regulatory permit.

Note 9 – Long-term investment (Qoros)

		For the year ended December 31,		
		2021	**2020**	**2019**
	Note		**$ Thousands**	
Fair value (loss)/gain on remaining 12% interest in Qoros	9.3, 9.5	(235,218)	154,475	-
(Payment)/recovery of financial guarantee	9.6.d, 9.6.e	(16,265)	6,195	11,144
Gain on sale of 12% interest in Qoros	9.3	-	152,610	-
Fair value loss on put option	9.2, 9.3	-	(3,362)	(18,957)
		(251,483)	309,918	(7,813)

1. As at December 31, 2021, the Group holds a 12% equity interest in Qoros through a wholly-owned and controlled company, Quantum (2007) LLC ("Quantum"). Chery Automobiles Limited ("Chery"), a Chinese automobile manufacturer, holds a 25% equity interest and the remaining 63% interest is held by an entity related to the Baoneng Group ("New Qoros Investor" or "New Strategic Partner").

2. Qoros introduced a New Strategic Partner

In January 2018, the New Qoros Investor purchased 51% of Qoros from Kenon and Chery for RMB 3.315 billion (approximately $504 million), resulting in Kenon's and Chery's interest in Qoros dropping from 50% each to 24% and 25%, respectively. This was part of an investment structure ("Investment Agreement") to invest a total of approximately RMB 6.63 billion (approximately $1,002 million) by the New Qoros Investor. The Investment Agreement provided Kenon with a put option over its remaining equity interest in Qoros which was initially valued at approximately $90 million.

The value of the put option was reduced by approximately $19 million to approximately $71 million as a result of the fair value assessment as at December 31, 2019.

Note 9 – Long-term investment (Qoros) (Cont'd)

3. Kenon sells down from 24% to 12%

In January 2019, Kenon, on behalf of its wholly owned subsidiary Quantum (2007) LLC, announced that it had entered into an agreement to sell half (12%) of its remaining interest (24%) in Qoros to the New Qoros Investor for RMB1,560 million (approximately $220 million), which was based on the same post-investment valuation as the initial investment by the New Qoros Investor. In April 2020, Kenon completed the sale of this half of its remaining interest in Qoros and received payment of RMB1,560 million (approximately $220 million).

Kenon recognized a gain of approximately $153 million from the sale of its 12% interest in Qoros and the derecognition of the current portion of the put option pertaining to the 12% interest sold.

As a result of the sale, Kenon lost significant influence over Qoros and ceased equity accounting. Since April 29, 2020, the remaining 12% interest in Qoros was accounted for on a fair value basis through profit and loss and, together with the non-current portion of the put option pertaining to the remaining 12% interest (see Note 9.2), was reclassified in the statement of financial position as a long-term investment (Qoros). Upon reclassification, Kenon immediately recognized a fair value gain of approximately $139 million and the long-term investment (Qoros) was initially measured at a combined fair value of approximately $220 million. By the end of 2020, primarily due to the appreciation of RMB against the USD, the fair value of the long-term investment (Qoros) increased by approximately $15 million to $235 million.

In 2020 up until the completion date of the sale and prior to the reclass detailed above, the aggregate current and non-current put option fair value was reduced by approximately $3 million to $68 million.

The sale was not made pursuant to the put option described above in Note 9.2. As part of the sale agreement, the New Qoros Investor assumed its pro-rata share of guarantees of Kenon and Chery based on the change to its equity ownership.

4. Agreement to sell remaining 12% interest

In April 2021, Quantum entered into an agreement with the New Qoros Investor to sell all of its remaining 12% interest in Qoros. The key terms of the agreement are set forth below.

The total purchase price is RMB1.56 billion (approximately $245 million), which is the same valuation as the previous sales by Quantum to the New Qoros Investor. The deal is subject to certain conditions, including a release of the share pledge (refer to Note 9.6.c) over the shares to be sold (substantially all of which have been pledged to Qoros' lending banks), and necessary regulatory approvals.

The Baoneng Group guaranteed the obligations of the New Qoros Investor under this agreement. The purchase price was to be paid over time according to a payment schedule.

The first and second payments, including the deposit, were to be paid into a designated account set up in the name of the New Qoros Investor over which Quantum is a joint signatory to, of which the deposit was due July 31, 2021. According to the agreement, the transfer of these payments to Quantum would occur by the end of Q2 2022. To date, the New Qoros Investor has failed to make any of the required payments under this agreement.

In the fourth quarter of 2021, Kenon started arbitration proceedings against the New Qoros Investor for breach of the agreement and Kenon also started litigation proceedings against the New Qoros Investor with regards to the New Qoros Investor's obligations to Kenon's pledged shares in relation to Qoros' RMB 1.2 billion loan (as described below). The outcomes of these legal proceedings and any related awards are uncertain.

As a result of the payment delay, Quantum currently has the right to exercise the Put Option it has to sell its remaining shares to the New Qoros Investor.

5. Fair value assessment

   In September 2021, in light of the events described above, Kenon performed an assessment of the fair value of the long-term investment (Qoros) under FRS 113 *Fair value measurement*. Kenon concluded that the fair value of the long-term investment (Qoros) is zero. Therefore, in 2021 Kenon recognized a fair value loss of $235 million in its consolidated financial statements for the year ended 2021.

6. Financial Guarantees Provision and Releases

a. In July 2012, Chery provided a guarantee to the banks, in the amount of RMB1.5 billion (approximately $242 million), in relation to an agreement with the banks to provide Qoros a loan, in the amount of RMB3 billion (approximately $482 million). In November 2015, Kenon provided back-to-back guarantees to Chery of RMB750 million (approximately $115 million) in respect of this loan thereby committing to pay half of every amount Chery may be required to pay with respect to the guarantee.

b. On May 12, 2015, Qoros signed a loan agreement with the Export-Import Bank of China, and China Construction Bank Co., LTD, Suzhou Branch, for an amount of RMB700 million (approximately $108 million) (the "Facility"). This Facility was guaranteed by Chery and pledged with Qoros' 90 vehicle patents with an appraisal value of minimum RMB3.1 billion (approximately $500 million). Kenon provided back-to-back guarantees to Chery of RMB350 million (approximately $54 million) thereby committing to pay half of every amount Chery may be required to pay with respect to the guarantee.

c. On July 31, 2014, in order to secure additional funding for Qoros of approximately RMB 1.2 billion (approximately $200 million) IC pledged a portion of its shares (including dividends derived therefrom) in Qoros, in proportion to its share in Qoros's capital, in favor of the Chinese bank providing Qoros with such financing. Simultaneously, the subsidiary of Chery that holds Chery's rights in Qoros also pledged a proportionate part of its rights in Qoros. Such financing agreement includes, inter alia, covenants, events of immediate payment and/or early payment for violations and/or events specified in the agreement. The pledge agreement includes, inter alia, provisions concerning the ratio of securities and the pledging of further securities in certain circumstances, including pledges of up to all of Quantum's shares in Qoros (or cash), provisions regarding events that would entitle the Chinese Bank to enforce the pledge, certain representations and covenants, and provisions regarding the registration and approval of the pledge. As part of the spin-off described in Note 1.A, the shares pledged by IC were transferred to Kenon.

d. In 2017, Kenon provided cash collateral to Chery that was used to fund shareholder loans on behalf of Chery for a total amount of RMB 244 million, and pledged a portion of Kenon's equity interests in Qoros to Chery. The agreements for this guarantee and pledge provide that in the event that Chery's obligations under its guarantees are reduced, including through guarantee releases, Kenon is entitled to the proportionate return from Chery of the RMB 244 million funding provided on Chery's behalf and/or a release of the equity pledged to Chery.

   As at December 31, 2018, Kenon's back-to-back guarantee exposure to Chery was approximately $44 million however, following the New Qoros Investor's investment into Qoros (refer to Note 9.2), Kenon assessed that the likelihood of future cash payments in relation to the guarantees was not probable. As a result, all provisions related to financial guarantees were released in 2018.

   Following completion of the transaction in 2019, the New Qoros Investor assumed its proportionate obligations with respect to the Qoros loans. As a result of this and repayments by Qoros in relation to its loans, Chery's obligations under the loan guarantees were reduced. As a result, Kenon received $11 million from Chery. As at December 31, 2019, Kenon's back-to-back guarantee obligations to Chery were reduced to approximately $23 million.

   In April 2020, Kenon received an additional $6 million from Chery following repayments by Qoros in relation to its loans. This brought the total cash received from Chery to RMB 244 million (approximately $36 million) in connection with these repayments. As at December 31, 2020, Kenon's back-to-back guarantee obligations to Chery were reduced to approximately $16 million.

Note 9 – Long-term investment (Qoros) (Cont'd)

e. Qoros had been in discussions with lenders on rescheduling loan repayments on its long-term loans. Such a rescheduling has not been agreed. In 2021, Qoros did not make payments totaling approximately RMB 455 million ($71 million) which were due in respect of its RMB 3 billion, RMB 1.2 billion and RMB 0.7 billion loan facilities, and as a result, the lenders under these facilities accelerated these loans. These loans remain in default.

In the fourth quarter of 2021, Chery paid the full amount of its guarantee obligations under the RMB 3 billion and RMB 700 million loan facilities. As discussed above, Kenon had back-to-back guarantee obligations of approximately $16 million to Chery in respect of guarantees Chery had given for these two loans. Kenon paid the $16 million to Chery and recognized a corresponding $16 million expense in its consolidated statements of profit and loss. Following this payment, Kenon does not have any remaining guarantee obligations with respect to Qoros debt.

As at December 31, 2021, as described in Note 9.6.c, Kenon has pledged substantially all of its interests in Qoros to secure Qoros' RMB 1.2 billion loan facility. The New Qoros Investor was required to assume its pro rata share of pledge obligations. It has not yet provided all such pledges but has provided Kenon with a guarantee in respect of its pro rata share, and up to all, of Quantum's pledge obligations.

Qoros continues to engage in discussions with the lenders and other relevant stakeholders relating to its other outstanding bank loans and resumption of manufacturing production which was shut down earlier this year.

7. Restrictions

Qoros has restrictions with respect to distribution of dividends and sale of assets deriving from legal and regulatory restrictions, restrictions under the joint venture agreement and the Articles of Association and restrictions stemming from credit received.

Note 10 – Subsidiaries

A. Investments

1. OPC Energy Ltd.

OPC is a publicly-traded company whose securities are listed on the TASE. OPC is engaged in two reportable segments: (i) generation and supply of electricity and energy (electricity, steam and charging services for electric vehicles) in Israel to private customers, Israel Electric Company ("IEC") and Noga – The Israel Independent System Operator Ltd. ("System Operator" or "Noga'), including initiation, development, construction and operation of power plants and facilities for energy generation; and (ii) generation and supply of electricity and energy in the United States, including maintenance, development, construction and management of renewable energy and conventional (gas-fired) power plants in the United States, and power plants owned by third parties. OPC manages most of its operations in Israel through OPC Israel, and its operations in the United States through CPV Group, of which 70% is indirectly held by OPC.

In October 2020, OPC signed an agreement to acquire the CPV Group (as described in Note 10.A.1.i), which is engaged in the area of generation of electricity in the United States (including through the use of renewable energy). The transaction was completed in January 2021.

Seasonality

OPC's activities in Israel are subject to seasonal fluctuations as a result of changes in the official Time of Use of Electricity Tariff ("TAOZ"), which is regulated and published by the Israeli Electricity Authority ("IEA"). The year is broken down into 3 seasons: "summer" (July and August), "winter" (December through February), and "transitional" (March through June and September through November), with a different tariff set for each season. OPC's results are based on the generation component, which is part of the TAOZ, resulting in a seasonal effect.

The revenues of the CPV Group from electricity generation are seasonal and impacted by variable demand, gas prices and electricity prices, as well as the weather. In general, with respect to power plants powered by natural gas, there is higher profitability in seasons where temperatures are at their highest or lowest - usually during summer and winter. Similarly, the profitability of renewable energy production is subject to production volume, which varies based on wind and solar constructions, as well as its electricity price, which tends to be higher in winter, unless there is a fixed contractual price for the project.

Impact of COVID-19 and conflict between Russia and Ukraine

The COVID-19 outbreak has led to quarantines, cancellation of events and travel, businesses and school shutdowns and restrictions, and alongside the conflict between Russia and Ukraine, supply chain interruptions, global economic and financial market instability. During the reporting period, high global demand for raw materials, transportation and shipping services were impacted by the spread of COVID-19 and the conflict, causing limited production capabilites, transportation and shipping restrictions, resulting in a significant increase in the cost of raw materials, production and supply chain, and an increase in the cost of maritime transport. This resulted in global delays in delivery dates for equipment alongside increased prices of raw materials and equipment used for construction and maintenance of OPC's facilities and power plants. This also affected the construction and maintenance costs of OPC's projects in the markets of activity and schedules for their completion. As of reporting date, there is no certainty as to the duration or scope of the COVID-19 impact, therefore OPC is unable to assess with full certainty its impact on its businesses.

OPC's active power plants in Israel, as well as the construction of the Tzomet power plant have continued throughout the restriction period, due to their designation as "essential enterprises". It is noted that the continuity of construction works at the Tzomet and Sorek power plants and the generation facilities is affected by COVID-19, due, among other things, to restrictions on movement and infection. Delays in completing projects under construction and in schedules may affect the ability of the projects to fulfill its obligations to third parties, thus adversely affecting the Company's activity in Israel. In addition, the rehauling and maintenance works at the Rotem and Hadera power plants may be affected by restrictions on movement and spread of infection due to Covid-19.

The outbreak of COVID-19 has had a significant impact on economic activity in the United States. The CPV Group's power plants remained active during the COVID-19 crisis. COVID-19 resulted in a change in the work schedules and shifts of the employees, a reduction of self-initiated shutdowns for purposes of periodic maintenance, extension of the unplanned periodic maintenance period, and employees working from home.

As at December 31, 2021, COVID-19 is assessed to not have a significant impact on OPC's results and activities.

Note 10 – Subsidiaries (Cont'd)

Material subsidiaries

Set forth below are details regarding OPC's material subsidiaries:

	Note	Main location of company's activities	Ownership interest as at December 31	
			2021	**2020**
OPC Israel Energy Ltd.	10.A.1.a	Israel	100%	100%
OPC Rotem Ltd.	10.A.1.b	Israel	80%	80%
OPC Hadera Ltd.	10.A.1.c	Israel	100%	100%
Tzomet Energy Ltd.	10.A.1.d	Israel	100%	100%
OPC Sorek 2 Ltd.	10.A.1.e	Israel	100%	100%
Gnrgy Ltd.	10.A.1.f	Israel	51%	-
ICG Energy, Inc	10.A.1.g	USA	100%	-
OPC Power Ventures LP	10.A.1.h	USA	70%	-
CPV Group LP*	10.A.1.i	USA	100%	-
CPV Keenan II Renewable Energy Company, LLC*	10.A.1.j	USA	100%	-
CPV Maple Hill, LLC*	10.A.1.k	USA	100%	-
CPV Rogue's Wind, LLC*	10.A.1.l	USA	100%	-

*This represents the interest held by OPC Power Ventures LP

a. OPC Israel Energy Ltd. ("OPC Israel")

OPC Israel holds most of OPC's businesses in Israel, such as OPC's interests in OPC Rotem, OPC Hadera, OPC Tzomet and OPC Sorek 2 (all defined below).

b. OPC Rotem Ltd. ("OPC Rotem")

OPC Rotem operates the Rotem Power Plant located in the Rotem Plain. Its operations commenced on July 6, 2013, and OPC Rotem has a license which allows it to produce and sell electricity for a period of 30 years from that date. The Rotem power plant operates using conventional technology in an integrated cycle and has generation capacity of about 466 megawatts ("MW"). The remaining 20% is held by Veridis Power Plants Ltd. ("Veridis").

In October 2020, planned maintenance work continued for 13 days, during which the Rotem power plant was shut down. As at publication date, the next maintenance is planned to be in April 2022, during which the activities of the Rotem Power Plant and the related energy generation activities will be discontinued for a period of 20 days.

c. OPC Hadera Ltd. ("OPC Hadera")

OPC Hadera holds a permanent power generation license using cogeneration technology for the Hadera Power Plant (i.e. generating both electricity and steam), with 144MW installed capacity, and a supply license. The generation license has a validity of 20 years, and may be extended for an additional 10 years subject to approval. In addition, OPC Hadera owns the Energy Center (boilers and turbines on the premises of Infinya Ltd. (formerly known as Hadera Paper Mills Ltd.) ("Infinya")). The Energy Center operates as a back-up for the supply of steam.

OPC Hadera supplies all the electricity and steam needs of Infinya, which is located adjacent to the Hadera Power Plant, for a period of 25 years, through the Hadera Power Plant and Energy Center, which serves as a back-up for the supply of steam. In addition, the Hadera Power Plant also supplies electricity to private customers and to the System operator. In December 2020 and between January and May 2021, some components of the Hadera Power Plant gas turbines were replaced and refurbished, and over November and December 2021, maintenance works were done on the steam turbine. In 2021, there were 74 days which the Hadera Power Plant did not operate in full capacity.

Additional maintenance work is expected to be performed on the steam turbine in May 2022. During the additional work, the Hadera Power Plant will shut down for approximately 50 days. It is noted that any impact from COVID-19 as described above may delay the additional work.

In October 2021 the Hadera Power Plant was connected to Infinya by way of a direct electricity line.

Note 10 – Subsidiaries (Cont'd)

d. Tzomet Energy Ltd. ("OPC Tzomet")

OPC Tzomet is in the construction stages of a conventional open-cycle power plant (a peaker plant) with a capacity of about 396 MW ("Tzomet power plant"). The Tzomet power plant is located near the Plugot Intersection, in the area of Kiryat Gat. As at year end, the investment in the Tzomet power plant amounts to about NIS 869 million (approximately $279 million).

Tariff approval

In April 2019, OPC Tzomet received a conditional license for construction of the Tzomet power plant. In December 2019, OPC Tzomet received tariff approval from the IEA for the power plant. Under the tariff approval, the commercial operation date is expected to be 36 months from the completion of financial closing as described above. Subject to completion of the power plant and receipt of a permanent generation license, OPC Tzomet will be entitled to tariffs in respect of sale of availability and energy to the System Operator for a period of twelve months commencing from the date of receipt of the permanent generation license. It is noted that the connection study OPC Tzomet received included approval of a reduced availability tariff in 2023, pursuant to the decision of the IEA.

Lease of OPC Tzomet land

In January 2020, Israel Lands Authority ("ILA") approved allotment of an area measuring about 8.5 hectares for the construction of the Tzomet Power Plant (hereinafter in this Section – the "Land"). ILA signed a development agreement with Kibbutz Netiv Halamed Heh (hereinafter – the "Kibbutz") in connection with the Land, which is valid up to November 5, 2024 (hereinafter – the "Development Agreement"), which after fulfillment of its conditions a lease agreement will be signed for a period of 24 years and 11 months from approval of the transaction, i.e. up to November 4, 2044. Tzomet Netiv Limited Partnership ("Joint Company') own the rights in the Land, and the composition is as follows i) General Partner of the Tzomet Netiv Limited Partnership holds 1%, in which the Kibbutz and OPC Tzomet hold 26% and 74% respectively, ii) Limited partners hold 99%, where the Kibbutz (26%) and OPC Tzomet (73%) hold rights as limited partners.

In February 2020, an updated lease agreement was also signed whereby the Joint Company, as the owner of the Land, will lease the Land to OPC Tzomet, for the benefit of the project.

In January 2020, a financial specification was received from ILA in respect of the capitalization fees, whereby value of the Land (not including development expenses) of about NIS 207 million (approximately $60 million) (not including VAT) was set (hereinafter – "the Initial Assessment"). OPC Tzomet, on behalf of the Joint Company, arranged payment of the Initial Assessment in January 2020 at the rate of 75% of amount of the Initial Assessment and provided through OPC, the balance, at the rate of 25% as a bank guarantee in favor of ILA. In January 2021, a final assessment was received from ILA where the value of the usage fees in the land for a period of 25 years, to construct a power plant with a capacity of 396 megawatts was NIS 200 million (approximately $62 million) (the "Final Assessment"). In March 2021, a reimbursement of NIS 7 million (approximately $2 million), which included linkage differences and interest in respect of the difference between capitalized fees paid and the Final Assessment amount, was received. In addition, the bank guarantee was also reduced by the amount of 25% of said difference.

In February 2021, the Joint Company submitted a legal appeal regarding the Final Assessment amount, which the ILA dismissed in August 2021. In November 2021, the Joint Company filed an assessor objection.

As at December 31, 2021, the amounts paid in respect of the land was classified in the consolidated statement of financial position under "Right-of-use assets, net". The unpaid balance of the Initial Asssesment of approximately NIS 52 million (approximately $17 million) was classified in the consolidated statement of financial position as at December 31, 2021 as current maturities of lease liabilities.

Note 10 – Subsidiaries (Cont'd)

e. OPC Sorek 2 Ltd. ("OPC Sorek 2")

In May 2020, OPC Sorek 2 signed an agreement with SMS IDE Ltd., which won a tender of the State of Israel for construction, operation, maintenance and transfer of a seawater desalination facility on the "Sorek B" site (the "Sorek B Desalination Facility"), where OPC Sorek 2 will construct, operate and maintain an energy generation facility ("Sorek B Generation Facility) with a generation capacity of up to 99 MW on the premises of the Sorek 2 Desalination Facility, and will supply the energy required for the Sorek B Desalination Facility for a period of 25 years after the operation date of the Sorek B Desalination Facility. At the end of the aforesaid period, ownership of the Sorek B Generation Facility will be transferred to the State of Israel. OPC undertook to construct the Sorek B Generation Facility within 24 months from the date of approval of the National Infrastructure Plan (approved in November 2021), and to supply energy at a specific scope of capacity to the Sorek B Desalination Facility.

Establishment of the Sorek B Generation Facility is contingent on, among other things, completion of the planning and/or licensing processes and receipt of approval with respect to the ability to output electricity from the site, which as at the submission date of the report had not yet been received.

In OPC's estimation, the financial closing of the Sorek B Generation Facility is expected to be reached at the end of 2023, and the total cost of the project is expected to be approximately NIS 200 million (approximately $62 million).

f. Gnrgy Ltd. ("Gnrgy")

In April 2021, OPC entered into an agreement to purchase an interest in Gnrgy, whose business focuses on e-mobility charging stations. Pursuant to the purchase agreement, in May 2021 OPC acquired a 27% interest for a consideration of NIS 25 million (approximately $8 million), and in December 2021 acquired a further 24% interest for a consideration of NIS 42 million (approximately $14 million), of which NIS 13 mllion (approximately $4 million) was paid in installments bearing a 5% additional annual interest. As at year end, OPC held a 51% interest in Gnrgy.

Gnrgy's founder retained the remaining interests in Gnrgy and entered into a shareholders' agreement with OPC, which among other things gave OPC an option to acquire a 100% interest in Gnrgy (the "Purchase Option"). The exercise price of the Purchase Option will be derived from the fair value of Gnrgy on the exercise date, assuming an agreed-to rate, but no less than a price based on the value of the original transaction. The exercise period of the Purchase Option will be the period of time determined after approval of the financial statements for each of the years 2024 through 2026. To the extent the entire exercise period of the Purchase Option passes without OPC exercising the Purchase Option, and on the assumption that no capital investments have been made in Gnrgy so as to dilute the founder's share and subject to additional conditions stipulated in the shareholders' agreement, the founder has an option to acquire shares of Gnrgy from OPC such that after the acquisition, he will hold 2% more than OPC in Gnrgy's share capital, and will once again become the controlling shareholder of Gnrgy. In addition, to the extent OPC does not exercise the Purchase Option within the first period for exercise of the Purchase Option, and the founder will hold less than 15% of Gnrgy's share capital, the founder will have an option to require OPC purchase his shares based on the fair value that will be determined in accordance with that stated in the shareholders' agreement at a discount rate as provided in the agreement.

In July 2021, Gnrgy received a virtual supply license.

g. ICG Energy, Inc ("ICGE")

In January 2021, IC Green transferred its interest in ICGE to OPC at zero consideration. Refer to Note 10.A.2 for further details. As at December 31, 2021, ICGE, which is held directly by OPC, holds OPC's businesses in the United States.

During 2005-2020, ICGE recorded net operating losses for tax purposes, which as at December 31, 2020 amounted to approximately $108 million, and utilizable tax credits in the amount of approximately $1.7 million, which may be offset for tax purposes in the United States against future income in the United States, subject to complying with the conditions of the law, some of which are not under OPC's control and, therefore, OPC did not recognize deferred tax assets in respect thereof. OPC coordinates its operations in the United States (including following the acquisition of CPV Group, as set out in Note 10.A.1.i) under ICGE. Among other things, the said transfer will allow tax savings with respect to profits, if any, from the business activities in the United States.

In addition, in January 2021, following the transfer of ICGE, OPC transferred its rights and loans in OPC Power to ICGE in respect of a loan in the amount of NIS 472 million (approximately $152 million), and capital notes issued by ICGE to OPC of amount NIS 1,188 million (approximately $382 million). The loan is denominated in shekels and bears annual interest at a rate of 7%. The loan principal will be repayable at any time that will be agreed on between the parties, but no later than January 2028. Accrued interest is payable on a quarterly basis. To the extent the payment made by ICGE is lower than the amount of the accrued interest, the payment in respect of the balance will be postponed to the next quarter, but not later than January 2028. The capital notes are repayable only after 5 years will have elapsed from their issuance date; they are denominated in shekels and are to be repaid based on the decision of ICGE.

h. OPC Power Ventures LP ("OPC Power")

In October 2020, OPC signed a partnership agreement (the "Partnership Agreement" and the "Partnership", where applicable) with three financial entities to form OPC Power, whereby the limited partners in the Partnership are OPC which holds about 70% interest, Clal Insurance Group which hold 12.75% interest, Migdal Insurance Group which hold 12.75% interest, and a corporation from Poalim Capital Markets which hold 4.5% interest.

The General Partner of the Partnership, a wholly-owned company of OPC, will manage the Partnership's business as its General Partner, with certain material actions (or which may involve a conflict of interest between the General Partner and the limited partners), requiring approval of a majority of special majority (according to the specific action) of the institutional investors which are limited partners. The General Partner is entitled to management fees and success fees subject to meeting certain achievements.

OPC also entered into an agreement with entities from the Migdal Insurance Group with respect to their holdings in the Partnership, whereby OPC granted said entities a put option, and they granted OPC a call option (to the extent that the put option is not exercised), which is exercisable after 10 years in certain circumstances.

The total investment undertakings and provision of shareholders' loans provided by all partners under the Partnership Agreement pro rata to the holdings discussed above is $1,215 million. The amount is designated for acquisition of all the rights in the CPV Group and for financing additional investments.

In 2021, OPC and the holders of the non-controlling interests provided OPC Power in partnership capital and loans of approximately $657 million and $204 million respectively. The loans are denominated in dollars and bear interest at an annual rate of 7%. The loan principal is repayable at any time, but not later than January 2028. The accrued interest is to be paid on a quarterly basis. To the extent the payment made by OPC Power is lower than the amount of the accrued interest, the payment in respect of the balance will be postponed to the next quarter, but not later than January 2028. As mentioned above, in January 2021, the loans and rights of OPC Power were subsequently transferred to ICG Energy, Inc. OPC Power holds 99.99% of the CPV Group, and the remaining interest is held by the General Partner of the Partnership.

i. CPV Group LP ("CPV Group")

The CPV Group is engaged in the development, construction and management of power plants using renewable energy and conventional energy (power plants running on natural gas of the advanced-generation combined-cycle type) in the United States. The CPV Group holds rights in active power plants that it initiated and developed – both in the area of conventional energy and in the area of renewable energy. In addition, through an asset management group the CPV Group is engaged in provision of management services to power plants in the United States using a range of technologies and fuel types, by means of signing asset-management agreements, usually for short/medium periods.

Acquisition of CPV Group

On January 25, 2021 ("Transaction completion date"), the Group acquired 70% of the rights and holdings in CPV Power Holdings LP; Competitive Power Ventures Inc.; and CPV Renewable Energy Company Inc through the limited partnership, CPV Group LP (the "Buyer"). For the year ended December 31, 2021, Kenon's consolidated results comprised results of the CPV Group from Transaction completion date through to period end.

On the Transaction Completion Date, in accordance with the mechanism for determination of the consideration as defined in the acquisition agreement, the Buyer paid the Sellers approximately $648 million, and about $5 million for a deposit which remains in the CPV Group. In May 2021, the consideration for the acquisition of the CPV Group was adjusted slightly, as a result of which the sellers paid the CPV Group an immaterial amount. For further details relating to the Seller's Loan provided in relation to Three Rivers, refer to Note 8.B.b.1.

OPC bore legal expenses and costs of a due diligence examination attributable to the acquisition, which were included in selling, general and administrative expenses in the consolidated statements of profit and loss, in the amount of about NIS 44 million (approximately $13 million), of which about NIS 2 million (approximately $1 million) were incurred in 2021.

Business combination

OPC partially hedged its exposure to changes in the cash flows from payments in dollars in connection with the acquisition agreement by means of forward transactions and dollar deposits. OPC chose to designate the forward transactions as an accounting hedge. On the completion date of the transaction, OPC recorded the amount of about NIS 103 million (approximately $32 million) that was accrued in a hedge capital reserve to the cost of the investment in the CPV Group. This cost was recorded in the "goodwill" category and increased the cost of the acquisition by about $32 million.

The contribution of the CPV Group to the Group's revenue and consolidated loss from the acquisition date until December 31, 2021 amounted to $51 million and $47 million, respectively. Management estimates that had the acquisition took place on January 1, 2021, the consolidated revenue for the year ended December 31, 2021 would have been $492 million and the consolidated profit for the year would have been $883 million.

Determination of fair value of identified assets and liabilities:

On the Transaction Completion Date, OPC included the CPV Group's net assets at fair value. Presented below is the fair value of the identified assets acquired and liabilities assumed:

	$ Millions
Cash and cash equivalents	29
Trade and other receivables	15
Long-term restricted deposits and cash	1
Investments in associated companies	595
Property, plant and equipment	50
Right-of-use assets	10
Intangible assets	111
Trade and other payables	(6)
Derivative financial instruments	(12)
Loans and credit	(169)
Lease liabilities	(10)
Other long-term liabilities	(28)
Liabilities for deferred taxes	(6)
Identified assets, net	**580**

Combined cash flows as a result of the acquisition:

	$ Millions
Cash and cash equivalents paid	653
Hedging costs paid	32
Cash and cash equivalents acquired	(29)
	656

Note 10 – Subsidiaries (Cont'd)

Goodwill

Goodwill created as part of the business combination reflects the potential of future activities of the CPV Group in the market in which it operates. OPC expects that part of the goodwill will be tax deductible. Due to the acquisition, goodwill was recognized as follows:

	$ Millions
Consideration transferred	653
Add: Hedging costs	32
Less: fair value of identified assets, net	(580)
Goodwill	**105**

j. CPV Keenan II Renewable Energy Company, LLC ("CPV Keenan")

CPV Keenan owns a wind energy power plant with a capacity of 152 MW, located in Oklahoma, United States. In April 2021, the CPV Group signed an agreement for purchase of the remaining rights from the tax equity partner in CPV Keenan for a consideration of approximately $25 million. As a result of the transaction, a $12 million loss was recognized in Financing expenses.

k. CPV Maple Hill Solar, LLC ("CPV Maple Hill")

CPV Maple Hill is in the construction stages of a solar energy power plant with a capacity of 126 MW located in Pennsylvania, United States. In May 2021, a commencement order for the construction work on CPV Maple Hill (hereinafter – "the Project") was issued. As at December 31, 2021, the aggregate cost of the investment in the Project is estimated at about $178 million and the Project's commercial operation date is expected to be in the second half of 2022.

l. CPV Rogue's Wind, LLC ("CPV Rogue's Wind")

CPV Rogue's Wind is currently in the advanced development stage of developing a wind energy power plant with a capacity of 114 MW, located in Pennsylvania, United States. Construction of the power plant is expected to commence in the second half of 2022. In April 2021, the CPV Group signed a power purchase agreement for sale of all the energy, availability (capacity) and Renewable Energy Certificates (RECs) of CPV Rogue's Wind (hereinafter - "the Project"). As at December 31, 2021, the aggregate cost of the investment in the Project is estimated at about $200 to $205 million and the Project's commercial operation date is expected to be in the second half of 2023.

m. Dividends

In 2019, OPC Rotem distributed dividends, and OPC's share of the dividends was NIS 190 million (approximately $54 million). In the same year, OPC distributed dividends on aggregate of approximately NIS 236 million (approximately $92 million), and Kenon's share of the dividends were approximately $48 million.

In 2020, OPC Rotem distributed dividends and OPC's share of the dividends was NIS 170 million (approximately $50 million).

In 2021, OPC Rotem distributed dividends and OPC's share of the dividends was NIS 132 million (approximately $41 million).

n. Issuances of new shares by OPC

In June 2019, OPC issued 5,179,147 new ordinary shares at a price of NIS 23.17 per share to three external institutional entities. Total cash consideration of approximately NIS 120 million (approximately $33 million) was received. As a result of the share issuance, Kenon registered a decrease of 3% in equity interests of OPC from 76% to 73%. Accordingly, the Group recognised $14 million in non-controlling interests and $19 million in accumulated profits arising from changes in the Group's proportionate share of OPC.

In September 2019, OPC issued 5,849,093 new ordinary shares at a price of NIS 26.5 per share to four external institutional entities. Total cash consideration of approximately NIS 155 million (approximately $44 million) was received. As a result of the share issuance, Kenon registered a decrease of 3% in equity interests of OPC from 73% to 70%. Accordingly, in 2019 the Group recognised $20 million in non-controlling interests and $24 million in accumulated profits arising from changes in the Group's proportionate share of OPC.

In October 2020, OPC published a shelf offer report for issuance of ordinary shares of NIS 0.01 par value each to the public through a uniform offer with a range of quantities by means of a tender on the price per unit and the quantity. Kenon submitted bids for participation in the tender at prices not less than the uniform price determined in the tender, and as part of the issuance it was issued 10,700,200 shares for a consideration of approximately $101 million. A total of 23,022,100 shares were issued to the public. The gross proceeds from the issuance amount to approximately NIS 737 million (approximately $217 million) and the issuance expenses amounted to approximately NIS 5 million (approximately $1 million).

In addition, in October 2020, OPC completed a private offer of 11,713,521 ordinary shares to institutional entities from the Clal group and Phoenix group. The price per ordinary share with respect to each of the offerees was NIS 29.88, which was determined through negotiations between the offerees. The gross proceeds from the issuance amount to approximately NIS 350 million (approximately $103 million) and the issuance expenses amount to approximately NIS 5 million (approximately $1 million). Following completion of the share issuances in 2020, as at December 31, 2020 Kenon registered a decrease of 8% in equity interest in OPC from 70% to 62%. Accordingly, in 2020 the Group recognised $136 million in non-controlling interests and $182 million in accumulated profits arising from changes in the Group's proportionate share of OPC.

In February 2021, OPC issued to Altshuler Shaham Ltd. and entities managed by Altschuler Shalam (collectively, the "Offerees"), 10,300,000 ordinary shares of NIS 0.01 par value each. The price of the shares issued to the Offerees was NIS 34 per ordinary share, and the gross proceeds from the issuance was about NIS 350 million (approximately $106 million). The issuance expenses were about NIS 4 million (approximately $1 million). Accordingly, the Group recognized $63 million in non-controlling interests and $42 million in accumulated profits arising from changes in the Group's proportionate share of OPC.

o. Rights issuance

In September 2021, OPC issued rights to purchase 13,174,419 ordinary OPC shares of NIS 0.01 per value each (hereinafter - the "Rights"), in connection with the development and expansion of OPC's activity in the USA. The rights were offered such that each holder of ordinary shares of OPC who held 43 ordinary shares was entitled to purchase one right unit comprising of three shares at a price of NIS 75 (NIS 25 per share). Through the deadline for exercising the rights, notices of exercise were received for the purchase of 13,141,040 ordinary shares (constituting approximately 99.7% of the total shares offered in the rights offering). The gross proceeds from the exercised rights amounted to approximately NIS 329 million (approximately $102 million).

In October 2021, Kenon exercised rights for the purchase of approximately 8 million shares for total consideration of approximately NIS 206 million (approximately $64 million), which included its pro rata share and additional rights it purchased during the rights trading period plus the cost to purchase these additional rights. As a result, Kenon now holds approximately 58.8% of the outstanding shares of OPC. Accordingly, the Group recognized $41 million in non-controlling interests and $60 million in accumulated profits arising from changes in the Group's proportionate share of OPC.

2. IC Green Energy Ltd ("IC Green")

In 2020, IC Green acquired the remaining interests of ICG Energy, Inc ("ICGE") (formerly known as Primus Green Energy Inc.), and held 100% interest in ICGE. In August 2020, ICGE sold substantially all of its assets to a third party, Bluescape Clean Fuels LLC for $1.6 million. In January 2021, IC Green transferred its interest in ICGE to OPC for zero consideration.

Note 10 – Subsidiaries (Cont'd)

B. The following table summarizes the information relating to the Group's subsidiary in 2021, 2020 and 2019 that has material NCI:

	As at and for the year ended December 31,		
	2021	2020	2019
	OPC Energy Ltd.	OPC Energy Ltd.	OPC Energy Ltd.
		$ Thousands	
NCI percentage *	53.14%	39.09%	35.31%
Current assets	346,380	693,913	204,128
Non-current assets	2,141,744	1,040,400	807,133
Current liabilities	(230,518)	(221,975)	(100,313)
Non-current liabilities	(1,341,962)	(980,028)	(663,328)
Net assets	915,644	532,310	247,620
Carrying amount of NCI	486,598	208,080	87,435
Revenue	487,763	385,625	373,142
(Loss)/profit after tax	(93,898)	(12,583)	34,366
Other comprehensive income	74,219	(2,979)	15,569
(Loss)/profit attributable to NCI	(54,022)	(2,567)	16,433
OCI attributable to NCI	33,661	(616)	4,353
Cash flows from operating activities	119,264	104,898	109,254
Cash flows from investing activities	(256,200)	(643,942)	(41,123)
Cash flows from financing activites excluding dividends paid to NCI	311,160	489,919	(40,539)
Dividends paid to NCI	(10,214)	(12,412)	(13,501)
Effect of changes in the exchange rate on cash and cash equivalents	6,717	12,566	9,202
Net increase/(decrease) in cash and cash equivalents	170,727	(48,971)	23,293

* The NCI percentage represents the effective NCI of the Group

Note 11 – Property, Plant and Equipment, Net

A. Composition

	As at December 31, 2021						
	Balance at beginning of year	Additions	Disposals	Reclassification	Acquisitions as part of a business	Differences in translation reserves	Balance at end of year
				$ Thousands			
Cost							
Roads, buildings and leasehold improvements	72,222	5,709	(453)	2,242	1,682	2,554	83,956
Facilities, machinery and equipment	763,828	2,527	-	-	-	25,920	792,275
Wind turbines	-	894	(972)	-	29,922	-	29,844
Computers	763	-	-	(763)	-	-	-
Office furniture and equipment	1,132	240	(150)	(808)	-	-	414
Assets under construction	127,116	252,096	-	-	18,990	11,578	409,780
Other	43,840	5,761	(1,885)	(671)	-	1,097	48,142
	1,008,901	267,227	(3,460)	-	50,594	41,149	1,364,411
Accumulated depreciation							
Roads, buildings and leasehold improvements	12,799	3,453	(240)	1,585	-	551	18,148
Facilities, machinery and equipment	175,633	36,620	-	-	-	7,384	219,637
Wind turbines	-	634	(71)	-	-	-	563
Computers	511	-	-	(511)	-	-	-
Office furniture and equipment	757	71	(151)	(434)	-	-	243
Other	640	-	-	(640)	-	-	-
	190,340	40,778	(462)	-	-	7,935	238,591
Balance as at December 31, 2021	818,561	226,449	(2,998)	-	50,594	33,214	1,125,820

Note 11 – Property, Plant and Equipment, Net (Cont'd)

	As at December 31, 2020					
	Balance at beginning of year	Additions*	Disposals	Reclassification	Differences in translation reserves	Balance at end of year
	$ Thousands					
Cost						
Roads, buildings and leasehold improvements	41,952	193	-	26,000	4,077	72,222
Facilities, machinery and equipment	499,948	4,902	(4,170)	208,931	54,217	763,828
Computers	654	179	(63)	-	(7)	763
Office furniture and equipment	1,047	60	(6)	-	31	1,132
Assets under construction	239,934	113,434	-	(234,931)	8,679	127,116
Other	36,255	16,309	(9,565)	-	841	43,840
	819,790	135,077	(13,804)	-	67,838	1,008,901
Accumulated depreciation						
Roads, buildings and leasehold improvements	9,883	2,114	-	-	802	12,799
Facilities, machinery and equipment	140,626	29,341	(4,170)	-	9,836	175,633
Computers	410	140	(63)	-	24	511
Office furniture and equipment	722	29	(6)	-	12	757
Other	507	95	-	-	38	640
	152,148	31,719	(4,239)	-	10,712	190,340
Balance as at December 31, 2020	667,642	103,358	(9,565)	-	57,126	818,561

* Additions in respect of assets under construction are presented net of agreed compensation from the construction contractor. Refer to Note 17.A.f for further details.

Note 11 – Property, Plant and Equipment, Net (Cont'd)

B. Net carrying values

	As at December 31,	
	2021	**2020**
	$ Thousands	
Roads, buildings and leasehold improvements	65,808	59,423
Facilities, machinery and equipment	572,638	588,195
Wind turbines	29,281	-
Computers	-	252
Office furniture and equipment	171	375
Assets under construction	409,780	127,116
Other	48,142	43,200
	1,125,820	818,561

C. When there is any indication of impairment, the Group's entities perform impairment tests for their long-lived assets using fair values less cost to sell based on independent appraisals or value in use estimations, with assumptions based on past experience and current sector forecasts, described below:

- Discount rate is a post-tax measure based on the characteristics of each CGU.
- Cash flow projections include specific estimates for around five years and a terminal growth rate thereafter. The terminal growth rate is determined based on management's estimate of long-term inflation.
- Existing power purchase agreements ("PPAs") signed and existing number of customers.
- The production mix of each country was determined using specifically-developed internal forecast models that consider factors such as prices and availability of commodities, forecast demand of electricity, planned construction or the commissioning of new capacity in the country's various technologies.
- The distribution business profits were determined using specifically-developed internal forecast models that consider factors such as forecasted demand, fuel prices, energy purchases, collection rates, percentage of losses, quality service improvement, among others.
- Fuel prices have been calculated based on existing supply contracts and on estimated future prices including a price differential adjustment specific to every product according to local characteristics.
- Assumptions for energy sale and purchase prices and output of generation facilities are made based on complex specifically-developed internal forecast models for each country.
- Demand – Demand forecast has taken into consideration the most probably economic performance as well as growth forecasts of different sources.
- Technical performance – The forecast takes into consideration that the power plants have an appropriate preventive maintenance that permits their proper functioning and the distribution businesss has the required capital expenditure to expand and perform properly in order to reach the targeted quality levels.

D. The amount of borrowing costs capitalized in 2021 was approximately $7 million (2020: $9 million).

E. Fixed assets purchased on credit in 2021 was approximately $39 million (2020: $32 million).

F. The composition of depreciation expenses from continuing operations is as follows:

	As at December 31,	
	2021	**2020**
	$ Thousands	
Depreciation and amortization included in gross profit	53,116	33,135
Depreciation and amortization charged to selling, general and administrative expenses	4,524	1,036
Depreciation and amortization from continuing operations	57,640	34,171

Note 12 – Intangible Assets, Net

A. Composition:

	Goodwill	PPA*	Others	Total
		$ Thousands		
Cost				
Balance as at January 1, 2021	21,596	-	2,372	23,968
Acquisitions as part of business combinations	118,458	110,446	3,410	232,314
Acquisitions – self development	-	-	1,451	1,451
Disposals	-	-	-	-
Translation differences	158	-	237	395
	140,212	110,446	7,470	258,128
Amortization				
Balance as at January 1, 2021	21,455	-	1,061	22,516
Amortization for the year	-	10,947	339	11,286
Disposals	-	-	-	-
Translation differences	-	-	44	44
Balance as at December 31, 2021	21,455	10,947	1,444	33,846
Carrying value				
As at January 1, 2021	141	-	1,311	1,452
As at December 31, 2021	118,757	99,499	6,026	224,282

*Relates to the acquisition of CPV Keenan, which is part of the CPV Group. Refer to Note 10.A.1.i for further information.

	Goodwill	Others	Total
		$ Thousands	
Cost			
Balance as at January 1, 2020	21,586	1,854	23,440
Acquisitions – self development	-	368	368
Disposals	-	(3)	(3)
Translation differences	10	153	163
	21,596	2,372	23,968
Amortization			
Balance as at January 1, 2020	21,455	752	22,207
Amortization for the year	-	249	249
Disposals	-	(3)	(3)
Translation differences	-	63	63
Balance as at December 31, 2020	21,455	1,061	22,516
Carrying value			
As at January 1, 2020	131	1,102	1,233
As at December 31, 2020	141	1,311	1,452

Note 12 – Intangible Assets, Net (Cont'd)

B. The total carrying amounts of intangible assets with a finite useful life and with an indefinite useful life or not yet available for use

	As at December 31,	
	2021	**2020**
	$ Thousands	
Intangible assets with a finite useful life	105,525	1,311
Intangible assets with an indefinite useful life or not yet available for use	118,757	141
	224,282	1,452

C. Impairment testing of a cash-generating unit

As part of the acquisition of the CPV Group as described in Note 10.A.1.i, on the acquisition date, OPC recognized goodwill of $105 million, which reflects the potential of future activities of CPV Group in the market in which it operates. Goodwill was attributed in full to CPV Group, which is a cash-generating unit.

OPC conducted an annual impairment test as of December 31, 2021. OPC has considered the report from a qualified external valuer regarding the recoverable amount of the cash-generating unit based on discounted expected future cash flows provided by OPC. Projects under commercial operation and projects under construction were estimated by discounting expected future cash flows before tax and the weighted average cost of capital (WACC) after tax. Projects under development were estimated at cost.

Below are the main assumptions used in the valuation:

1. Forecast years - represents the period spanning from January 1, 2022 to December 31, 2054, based on the estimate of the economic life of the power plants and their value as at the end of the forecast period.

2. Market prices and capacity - market prices (electricity, gas, capacity, etc.) were provided by an external independent appraiser, the cash flow forecasts were made for each power plant separately, taking into account the relevant electricity market (NYISO, ISO-NE, PJM and SPP) and the relevant regulation.

3. The annual inflation rate of 2.6% equals the derived 10-year inflation rate as of the estimate date.

4. The WACC - calculated for each material project separately, and ranges between 4.75 % (project with agreements for sale of the entire capacity) and 8.5%.

OPC used a relevant discount rate reflecting the specific risks associated with the future cash flow of a cash-generating unit.

As of December 31, 2021, the recoverable amount of the cash-generating unit of the CPV Group exceeds its book value and therefore, no impairment has been recognized for them. The fair value measurement was classified at Level 3 due to the use of input that is not based on observable market inputs in the assessment model.

As of the report date, in accordance with management's assessments regarding future industry trends, which are based on external and internal sources, OPC has not identified any key assumptions in which possible likely changes may occur, which would cause the CPV Group's recoverable amount to decrease below its carrying amount.

Note 13 – Long-Term Prepaid Expenses and Other Non-Current Assets

	As at December 31,	
	2021	2020
	$ Thousands	
Deferred expenses, net (1)	42,840	26,776
Contract costs	5,119	5,036
Other non-current assets	9,307	12,837
	57,266	44,649

(1) Relates to deferred expenses, net for OPC's connection fees to the gas transmission network and the electricity grid.

Note 14 – Loans and Debentures

Following are the contractual conditions of the Group's interest-bearing loans and credit, which are measured based on amortized cost. Additional information regarding the Group's exposure to interest risks, foreign currency and liquidity risk is provided in Note 28, in connection with financial instruments.

	As at December 31	
	2021	2020
	$ Thousands	
Current liabilities		
Current maturities of long-term liabilities:		
Loans from banks and others	21,861	39,702
Non-convertible debentures	7,125	6,769
Others	9,325	-
	38,311	46,471
Non-current liabilities		
Loans from banks and others	596,489	575,688
Non-convertible debentures	575,314	296,146
	1,171,803	871,834
Total	1,210,114	918,305

Note 14 – Loans and Debentures (Cont'd)

A.1 Classification based on currencies and interest rates

	Weighted-average interest rate December 31 2021	As at December 31,	
		2021	2020
	%	$ Thousands	
Debentures			
In shekels	2.50% - 2.75%	582,439	302,915
Loans from banks and others			
In shekels	4.70%	627,675	615,390
		1,210,114	918,305

As at December 31, 2021 and December 31, 2020, all loans and debentures relate to liabilities incurred by OPC and its subsidiaries.

A.2 Reconciliation of movements of liabilities to cash flows arising from financing activities

	Financial liabilities (including interest payable)						
	Loans and credit	Loans from holders of interests that do not confer financial control	Debentures	Lease liabilities	Financial instruments designated for hedging	Other liabilities	Total
				$ Thousands			
Balance as at January 1, 2021	615,403	439	304,701	18,605	11,014	-	950,162
Acquisitions as part of business combinations							
Changes as a result of cash flows from financing activities							
Payment in respect of derivative financial instruments	-	-	-	-	(13,933)	-	(13,933)
Proceeds from issuance of debentures less issuance expenses	-	-	262,750	-	-	-	262,750
Receipt of long-term loans from banks	211,738	131,388	-	-	-	-	343,126
Repayment of loans, debentures and lease liabilities	(601,474)	-	(5,876)	(1,991)	-	(28,495)	(637,836)
Interest paid	(25,095)	-	(6,093)	(335)	-	-	(31,523)
Costs paid in advance in respect of taking out loans	(4,991)	-	-	-	-	-	(4,991)
Net cash (used in)/provided by financing activities	(419,822)	131,388	250,781	(2,326)	(13,933)	(28,495)	(82,407)
Changes due to gain of control in subsidiaries	172,163	-	-	10,542	12,176	28,729	223,610
Effect of changes in foreign exchange rates	(10,820)	2,497	17,993	1,627	(487)	(176)	32,274
Changes in fair value	-	-	-	-	(13,726)	15,119	1,393
Interest in the period	38,803	4,275	13,125	507	-	246	56,956
Other changes and additions during the year	71,088	1,239	-	5,085	(3,349)	13,394	87,457
Balance as at December 31, 2021	488,455	139,838	586,600	34,040	(8,305)	28,817	1,269,445

Note 14 – Loans and Debentures (Cont'd)

	Financial liabilities (including interest payable)					
	Loans and credit	Loans from holders of interests that do not confer financial control	Debentures	Lease liabilities	Financial instruments designated for hedging	Total
	$ Thousands					
Balance as at January 1, 2020	540,281	439	81,847	5,385	4,225	632,177
Changes as a result of cash flows from financing activities						
Payment in respect of derivative financial instruments	-	-	-	-	(6,105)	(6,105)
Proceeds from issuance of debentures less issuance expenses	-	-	280,874	-	-	280,874
Receipt of long-term loans from banks	73,236	-	-	-	-	73,236
Repayment of loans and debentures	(39,067)	-	(84,487)	-	-	(123,554)
Interest paid	(21,210)	-	(3,630)	(149)	-	(24,989)
Payment of principal of lease liabilities	-	-	-	(551)	-	(551)
Costs paid in advance in respect of taking out loans	(8,556)	-	-	-	-	(8,556)
Net cash provided by/(used in) financing activities	4,403	-	192,757	(700)	(6,105)	190,355
Effect of changes in foreign exchange rates	42,607	-	23,795	1,581	749	68,732
Changes in fair value	-	-	-	-	12,145	12,145
Interest in the period	21,301	-	5,473	292	-	27,066
Other changes and additions during the year	6,811	-	829	12,047	-	19,687
Balance as at December 31, 2020	615,403	439	304,701	18,605	11,014	950,162

Long-term loans from banks and others

B. OPC Rotem

OPC Rotem financing agreement

The power plant project of OPC Rotem was financed by the project financing method (hereinafter – "Rotem Financing Agreement") with a consortium of lenders led by Bank Leumi Le-Israel Ltd. (hereinafter respectively – "Rotem's Lenders" and "Bank Leumi").

The loans (which were linked to the CPI) bore fixed interest rates between 4.9% and 5.4% and were repaid quarterly basis commencing from the fourth quarter of 2013. The Rotem Financing Agreement also provides certain restrictions with respect to distribution of a dividend. In addition, under the Rotem Financing Agreement, OPC Rotem undertook to hold certain funds that were classified under restricted cash in the statement of financial position, and OPC and Veridis also provided bank and corporate guarantees in favor of lenders in the consortium.

In October 2021, the early repayment of the full outstanding balance of OPC Rotem's project financing of amount NIS 1,292 million (approximately $400 million) (including early repayment fees as described below) was completed. A debt service reserve and restricted cash of amount NIS 125 million (approximately $39 million) were also released. As part of the early repayment, OPC Rotem recognized a one-off expense totaling NIS 244 million (approximately $75 million) in 2021, in respect of an early repayment fee of approximately NIS 188 million (approximately $58 million), net of tax. In light of this early repayment, OPC also executed an early close-out of a CPI SWAP contract, which yielded NIS 13 million (approximately $4 million) for OPC.

In proportion to their interests in OPC Rotem, OPC and Veridis extended to OPC Rotem loans for the financing of the early repayment of amounts NIS 904 million (approximately $291 million) and NIS 226 million (approximately $72 million), respectively, totaling NIS 1,130 million (approximately $363 million) (hereinafter - the "Shareholders' Loans"). The Shareholders' Loans bear annual interest at the higher of 2.65% or interest in accordance with Section 3(J) of the Israel Income Tax Ordinance, whichever is higher. The Shareholders' Loans shall be repaid in quarterly unequal payments in accordance with the mechanism set in the Shareholders' Loans agreement, and in any case no later than October 2031. A significant portion of OPC's portion of NIS 904 million (approximately $280 million), was funded by the issuance of Series C debentures as described in Note 14.E.

Note 14 – Loans and Debentures (Cont'd)

C. OPC Hadera

Hadera financing agreement

In July 2016, Hadera entered into a financing agreement for the senior debt (hereinafter – "the Hadera Financing Agreement") with a consortium of lenders (hereinafter – "Hadera's Lenders"), headed by Israel Discount Bank Ltd. (hereinafter – "Bank Discount") and Harel Insurance Company Ltd. (hereinafter – "Harel") to finance the construction of the Hadera Power Plant, whereby the lenders undertook to provide Hadera credit facilities, mostly linked to the CPI, in the amount of NIS 1,006 million (approximately $323 million) in several facilities (some of which are alternates): (1) a long-term credit facility (including a facility for changes in construction and related costs); (2) a working capital facility; (3) a debt service reserves account and a VAT facility; (4) a guarantees facility; and (5) a hedge facility.

Some of the loans in the Hadera Financing Agreement are linked to the CPI and some are unlinked. The loans bear interest rates between 2.4% and 3.9% on the CPI-linked loans, and between 3.6% and 5.4% on the unlinked loans, and are repaid in quarterly installements up to 2037, and commenced from the first quarter of 2020.

In addition, OPC Hadera undertook, commencing from the commercial operation date, to provide a debt service reserve in an amount equal to the amount of the debt payments for two successive quarters (as at December 31, 2021, NIS 30 million (approximately $10 million)), and an owner's guarantee fund of NIS 15 million (approximately $5 million).

As at December 31, 2021, OPC Hadera and OPC were in compliance with all of the covenants pursuant to the Hadera Financing Agreement. OPC Hadera has a guarantee facility in the amount of NIS 60 million (approximately $19 million) of which (NIS 26 million (approximately $8 million) has been used, a hedge facility in the amount of NIS 68 million (approximately $22 million) (of which an insignificant amount has been used), and a working capital facility of NIS 30 million (approximately $10 million) which has not been used.

D. OPC Tzomet

Tzomet financing agreement

In December 2019, a financing agreement for the senior debt (project financing) was signed between OPC Tzomet and a syndicate of financing entities led by Bank Hapoalim Ltd. (hereinafter – "Bank Hapoalim", and together with the other financing entities hereinafter – "Tzomet's Lenders"), to finance construction of the Tzomet power plant (hereinafter – "Tzomet Financing Agreement").

Under the Tzomet Financing Agreement, Tzomet's Lenders undertook to provide OPC Tzomet a long-term loan facility, a standby facility, a working capital facility, a debt service reserve, a VAT facility, third-party guarantees and a hedge facility, in the aggregate amount of NIS 1.372 billion (approximately $441 million). Part of the amounts under these facilities will be CPI-linked and part of the amounts will be USD-linked. The loans accrue interest at the rates set out in the Tzomet Financing Agreement.

As part of the Tzomet Financing Agreement, terms were provided with reference to conversion of interest on the long term loans from variable interest to CPI linked interest. Such a conversion will take place in three cases: (a) automatically at the end of 6 years after the signing date of the Tzomet Financing Agreement; (b) at OPC Tzomet's request during the first 6 years commencing from the signing date of the Tzomet Financing Agreement; (c) at Bank Hapoalim's request, in certain cases, during the first 6 years commencing from the signing date of the Tzomet Financing Agreement. In addition, OPC Tzomet has the right to make early repayment of the loans within 6 years after the signing date of the Tzomet Financing Agreement, subject to a one time reduced payment (and without payment of an early repayment penalty), and provided that up to the time of the early repayment, the loans were not converted into loans bearing fixed interest linked to the CPI. The Tzomet Financing Agreement also includes certain restrictions with respect to distributions and repayment of shareholders' loans.

As at December 31, 2021, OPC Tzomet and OPC were in compliance with all the covenants in accordance with the Tzomet Financing Agreement. The loans are to be repaid quarterly, which will begin shortly before the end of the first or second quarter after the commencement date of the commercial operation up to the date of the final payment, which will take place on the earlier of the end of 19 years from the commencement date of the commercial operation or 23 years from the signing date of the Tzomet Financing Agreement (however not later than December 31, 2042).

As of December 31, 2021 withdrawals totalling NIS 349 million (approximately $112 million) were made from the long-term loans facility. The loans bear annual interest at the rate of prime plus 0.95%. Subsequent to year end, OPC Tzomet withdrew NIS 156 million (approximately $50 million) from the facility.

OPC Tzomet equity subscription agreement

In December 2019, an equity subscription agreement (hereinafter – "Tzomet's Equity Subscription Agreement") was signed. As part of the said agreement, OPC undertook certain commitments to the Lenders in connection with OPC Tzomet and its activities, including investment of shareholders' equity in OPC Tzomet of about NIS 293 million (approximately $94 million). As at December 31, 2021, OPC had provided OPC Tzomet with the amount of equity that it had undertaken.

Note 14 – Loans and Debentures (Cont'd)

E. OPC

Short-term loans

In December 2019, OPC signed a facility agreement for taking out short-term credit with a bank, for purposes of payment of the Initial Assessment of OPC Tzomet (as stated in Note 10.A.1.d), up to the end of March 2020. In January 2020, OPC withdrew a loan of NIS 169 million (approximately $53 million) for the payment of the Initial Assessment. The Loan was repaid in April 2020.

In March 2020, OPC took a loan from Bank Mizrahi Tafahot Ltd. ("Bank Mizrahi"), a related party of the Group, of amount NIS 50 million (approximately $16 million). The loan bore interest at the annual rate of prime plus 1.25% and was repaid in May 2020.

Hedge agreement

In June 2019, OPC entered into a hedge agreement with Bank Hapoalim Ltd. for hedge of 80% of the exposure to the CPI with respect to the principal of loans from financial institutions, in exchange for payment of additional interest at the annual rate of between 1.7% and 1.76% (hereinafter – "the CPI Transactions"). OPC chose to designate the CPI Transactions as an "accounting hedge".

In 2020 and 2021, due to changes in the inflationary expectations and in light of the changes in the projected interest rates, OPC recorded an increase in the assets and liabilities, respectively, following revaluation of the financial derivative in respect of the CPI Transactions (hereinafter – "the Derivative"), in the amount of NIS 43 (approximately $13 million) million and NIS 42 million (approximately $13 million), respectively, which was recorded as part of other comprehensive income. OPC deposits collaterals to secure its liabilities to the bank in connection with the Derivative. As at the date of the report, the collateral amounted to about NIS 35 million (approximately $11 million). The value of the Derivative was calculated by means of discounting the linked shekel cash flows expected to be received less the discounted fixed shekel cash flows payable. An adjustment was made to this valuation for the credit risks of the parties.

Note 14 – Loans and Debentures (Cont'd)

Series A Debentures

In May 2017, OPC issued debentures (Series A). The par value of the debentures was NIS 320 million (approximately $85 million), bore annual interest at the rate of 4.95% and were repayable, principal and interest, every six months, commencing on June 30, 2018 (on June 30 and December 30 of every calendar year) through December 30, 2030.

Subsequent to the additional issuance of Series B debentures in October 2020 as described below, OPC made early redemption of its Series A debentures. As a result of the early redemption, the debt service reserve of approximately NIS 67 million (approximately $19 million) was released. The total amount of full early redemption, in respect of principal, interest and compensation, amounted to approximately NIS 313 million (approximately $92 million). The compensation component of approximately NIS 41 million (approximately $12 million) was recorded in the consolidated statements of profit & loss in 2020, under Financing expenses.

Series B Debentures

In April 2020, OPC issued debentures (Series B) with a par value of NIS400 million (approximately $113 million), which were listed on the TASE. As a result, approximately $111 million representing the par value, net of issuance cost is recognised as debentures. The debentures are linked to the Israeli consumer price index and bear annual interest at the rate of 2.75%. The principal and interest of the debentures (Series B) are repayable every six months, commencing on March 31, 2021 (on March 31 and September 30 of every calendar year) through September 30, 2028.

In October 2020, OPC issued additional Series B debentures of par value NIS 556 million (approximately $162 million) (the "Expansion of Series B"). The gross proceeds of the issuance amount to approximately NIS 584 million (approximately $171 million) and the issuance costs were approximately NIS 7 million (approximately $2 million).

A trust certificate was signed between OPC and Reznik Paz Nevo Trusts Ltd. in April 2020, which details customary grounds for calling the debentures for immediate repayment (subject to cure periods), including insolvency events, liquidation proceedings, receivership, a stay of proceedings and creditors' arrangements, certain structural changes, a significant worsening in OPC's financial position, etc. The trust certificate also includes a commitment of OPC to comply with certain financial covenants and restrictions as follows: As at December 31, 2021, OPC's shareholders' equity was NIS 2,270 million (approximately $730 million) (minimum required is NIS 250 million, and for purposes of a distribution, NIS 350 million); the ratio of OPC's shareholders' equity to OPC's total assets was 55% (minimum required is 17%, and for purposes of distribution, 27%); the ratio of the net consolidated financial debt less the financial debt designated for construction of projects that have not yet commenced producing EBITDA and the EBITDA is 7.3 (maximum allowed is 13, and for purposes of a distribution, 11).

Series C Debentures

In September 2021, OPC issued Series C debentures at a par value of NIS 851 million (approximately $266 million), with the proceeds designated primarily for the early repayment of OPC Rotem's financing (refer to Note 14.B). The debentures are listed on the TASE, are not CPI-linked and bear annual interest of 2.5%. The debentures shall be repaid in twelve semi-annual and unequal installments (on February 28 and August 31) as set out in the amortization schedule, starting on February 28, 2024 through August 31, 2030 (the first interest payment is due on February 28, 2022). The issuance expenses amounted to about NIS 9 million (approximately $3 million).

OPC is required to comply with certain financial covenants and restrictions as follows: As at December 31, 2021, OPC's shareholders' equity was NIS 2,270 million (approximately $730 million) (minimum required is NIS 1 billion, and for purposes of a distribution, NIS 1.4 billion); the ratio of OPC's shareholders' equity to OPC's total assets was 55% (minimum required is 20%, and for purposes of distribution, 30%); the ratio of the net consolidated financial debt less the financial debt designated for construction of projects that have not yet commenced producing EBITDA and Adjusted EBITDA is 7.3 (maximum allowed is 13, and for purposes of a distribution, 11); equity to consolidated balance sheet ratio of 37% (minimum required is 17%.

Note 14 – Loans and Debentures (Cont'd)

F. CPV Keenan

Keenan financing agreement

In August 2021, CPV Keenan and a number of financial entities entered into a $120 million financing agreement (hereinafter - the "Keenan Financing Agreement"). Concurrently with the closing of the Keenan Financing Agreement, CPV Keenan repaid its former financing agreement entered into in 2014 (as of the repayment date, the outstanding principal was approximately $67 million). No financial penalties were imposed on the early repayment of the former financing agreement. The previous annual interest rate was LIBOR plus a 2.25%-2.75% spread on the Term Loan, and a 1% spread on the ancillary credit facilities.

The loan and the ancillary credit facilities in the Keenan Financing Agreement shall be repaid in installments over the term of the agreement; the final repayment date is December 31, 2030. The loan and the ancillary credit facilities in the Keenan Financing Agreement shall carry an annual interest of LIBOR + 1% to 1.375%. As part of the Keenan Financing Agreement, collateral and pledges on the project's assets held by CPV Keenan were provided in favor of the lenders.

It should be noted that the Keenan Financing Agreement includes, among other things, and as customary in agreements of this type, provisions regarding mandatory prepayments, fees in respect of credit facilities, annual fees relating to the issuance of LC and additional customary terms and conditions, including hedging of the base interest rate in respect of 70% of the loan.

As part of the Keenan Financing Agreement, collateral and pledges on the project's assets held by CPV Keenan were provided in favor of the lenders. The Keenan Financing Agreement includes a number of restrictions, such as compliance with a minimum debt service coverage ratio of 1.15 during the 4 quarters that preceded the distribution, and a condition whereby no grounds for repayment or breach event exists (as defined in the financing agreement).

The Keenan Financing Agreement includes grounds for calling for immediate repayment as customary in agreements of this type, including, among others – breach of representations and covenants that have a material adverse effect, non payment events, non compliance with certain obligations, various insolvency events, termination of the activities of the project or termination of significant parties in the project (as defined in the agreement), occurrence of certain events relating to the regulatory status of the project and maintaining of government approvals, certain changes in the project's ownership, certain events in connection with the project, existence of legal proceedings relating to the project, and a situation wherein the project is not entitled to receive payments for electricity – all in accordance with and subject to the terms and conditions, definitions and cure periods detailed in the financing agreement.

Completion of the Keenan Financing Agreement generated the CPV Group approximately $26 million in cash (after making payments in respect of: repayment of CPV Keenan's previous outstanding loan balance, transaction costs, early closing of an interest rate hedging transaction of approximately $11 million, and additional costs). Similarly, in light of the repayment of CPV Keenan's previous financing, in the reporting period, the Group recognized a gain on derecognition of financial liability of $3 million under Financing income.

G. OPC Power

Shareholder loans

In 2021, OPC (through a wholly-owned subsidiary) and non-controlling interests provided loans to OPC Power in the amounts of $143 million and $61 million, respectively. Subsequent to year end, OPC (through a wholly owned subsidiary) and non-contorlling interests provided additional loans to OPC Power in the amounts of $8 million and $4 million, respectively. Refer to Note 10.A.1.h for further details. The loans bear annual interest at a rate of 7%. The loan principal will be repayable at any time as will be agreed on between the parties, but no later than January 2028. Accrued interest is payable on a quarterly basis. To the extent that payment made by OPC Power is lower than the amount of the accrued interest, payment in respect of the balance will be postponed to the following quarter – but not later than January 2028.

Note 15 – Trade and Other Payables

	As at December 31,	
	2021	**2020**
	$ Thousands	
Trade Payables	136,505	92,542
Accrued expenses and other payables	11,479	21,870
Government institutions	2,459	3,144
Employees and payroll institutions	11,625	5,940
Interest payable	5,213	2,314
Others	4,256	2,432
	171,537	128,242

Note 16 – Right-Of-Use Assets, Net and Lease Liabilities

A) The Group leases the following items:

i) Land

In Israel, the leases are typically entered into with government institutions for the construction and operation of OPC Israel's power plants. They typically run for a period of more than 20 years, with an option for renewal. In the United States, the leases are typically entered into with private companies or individuals for the development, construction and operation of the CPV Group's power plants.

ii) OPC gas transmission infrastructure

The lease for the gas Pressure Regulation and Measurement Station ("PRMS") relates to the facility at OPC Hadera's power plant. For further details, please refer to Note 17.B.

iii) Offices

The leases range from 3 to 10 years, with options to extend.

iv) Low-value items

The total for low-value items on short-term leases are not material. Accordingly, the Group has not recognized right-of-use assets and lease liabilities for these leases.

B) Right-of-use assets

	As at December 31, 2021			
	Balance at beginning of year	Depreciation charge for the year	Adjustments	Balance at end of year
	$ Thousands			
Land	77,011	(3,375)	7,719	81,355
PRMS facility	6,514	(480)	205	6,239
Offices	2,499	(1,716)	9,499	10,282
Others	-	-	7	7
	86,024	(5,571)	17,430	97,883

	As at December 31, 2020			
	Balance at beginning of year	Depreciation charge for the year	Adjustments	Balance at end of year
	$ Thousands			
Land	6,853	(2,141)	72,299	77,011
PRMS facility	6,506	(449)	457	6,514
Offices	3,305	(500)	(306)	2,499
Others	459	-	(459)	-
	17,123	(3,090)	71,991	86,024

C) Amounts recognized in the consolidated statements of profit & loss and cash flows

	As at December 31, 2021	As at December 31, 2020
	$ Thousands	$ Thousands
Interest expenses in respect of lease liability	550	149
Total cash outflow for leases	1,993	551

Note 17 – Contingent Liabilities, Commitments and Concessions

A. Contingent Liabilities

a. Local Council of Shafir development levies

In December 2019, an arrangement was signed between OPC Tzomet and the Local Council of Shafir, whereby OPC Tzomet received an initial calculation of the development levies in respect of the Tzomet project, in the amount of NIS 28 million (approximately $8 million) (not including VAT) (hereinafter – the “Calculation of the Levies”). In January 2020, the Council sent OPC Tzomet a charge notification in respect of the Calculation of the Levies, in the amount of NIS 37 million (approximately $11 million), of which NIS 13 million (approximately $4 million), which was not in dispute, was paid in December 2019. In March 2020, OPC Tzomet filed an administrative petition against the Council in respect of the amount in dispute, as stated. As part of its response to the petition, it was recognized that an error of about NIS 2 million was made, resulting in an agreement to reduce the bank guarantee deposited by OPC Tzomet in favor of the Council of NIS 21 million (approximately $7 million).

In 2021, as part of a settlement arrangement, OPC Tzomet paid the council NIS 20 million (approximately $6 million) for the levies. The levies paid include levies for a built-up area of 11,600 square meters which has not yet been built, and OPC Tzomet has the right to construct it with no further levies required. Following the settlement in 2021, the guarantee described above also expired.

b. Oil Refineries Ltd. (now known as “Bazan”) gas purchase claim

In January 2018, a request was filed with the Tel Aviv-Jaffa District Court to approve a derivative claim by a shareholder of Bazan against former and current directors of Bazan, Israel Chemicals Ltd., OPC Rotem, OPC Hadera and IC (collectively the "Group Companies"), over: (1) a transaction of the Group Companies for the purchase of natural gas from Tamar Partners, (2) transactions of the Group Companies for the purchase of natural gas from Energean Israel Ltd. (“Energean”) and (3) transaction for sale of surplus gas to Bazan.

In August 2018, the Group Companies submitted their response to the claim filed. OPC rejected the contentions appearing in the claim and requested summary dismissal of the claim. Evidentiary hearings were held in the second half of 2021, after which an order was issued for summations and dates were set for submitting them in the second and third quarters of 2022.

In OPC’s estimation, based on advice from its legal advisors, it is more likely than not that the claim will not be accepted by the Court and, accordingly, no provision has been included in the financial statements in respect of the claim as at December 31, 2021.

c. Bazan electricity purchase claim

In November 2017, a request was filed with the Tel Aviv-Jaffa District Court to approve a derivative claim on behalf of Bazan. The request is based on the petitioner's contention that the undertaking in the electricity purchase transaction between Bazan and OPC Rotem is an extraordinary interested party transaction that did not receive the approval of the general assembly of Bazan shareholders on the relevant dates. The respondents to the request include Bazan, OPC Rotem, the Israel Corporation Ltd. and the members of Bazan's Board of Directors at the time of entering into the electricity purchase transaction. The requested remedies include remedies such as an injunction and financial remedies.

In July 2018, OPC Rotem submitted its response to the request. Bazan’s request for summary judgement was denied. Negotiations are being held for entering into a compromise agreement that will settle a lawsuit against Rotem and others, which - as of the financial statements approval date - is subject to signing the agreement and obtaining approvals.

Note 17 – Contingent Liabilities, Commitments and Concessions (Cont'd)

d. IEC power purchase agreement

In 2014 (commencing in August), letters were exchanged between OPC Rotem and IEC regarding the tariff to be paid by OPC Rotem to IEC in respect of electricity that it had purchased from the electric grid, in connection with sale of electricity to private customers, where the electricity generation in the power plant was insufficient to meet the electricity needs of such customers.

It is OPC Rotem's position that the applicable tariff is the "ex-post" tariff, whereas according to IEC in the aforesaid exchange of letters, the applicable tariff is the TAOZ tariff, and based on part of the correspondences even a tariff that is 25% higher than the TAOZ tariff (and some of the correspondences also raise allegations of default of the PPA with IEC). In order to avoid a specific dispute, Rotem paid IEC the TAOZ tariff for the aforesaid purchase of electricity and commencing from that date, it pays IEC the TAOZ tariff on the purchase of electricity from IEC for sale to private customers.

IEC raised contentions regarding past accountings in respect of the acquisition cost of energy for OPC Rotem's customers in a case of a load reduction of the plant by the System Operator, and collection differences due to non-transfer of meter data in the years 2013 through 2015. In addition, IEC stated its position with respect to additional matters in the arrangement between the parties relating to the acquisition price of surplus energy and the acquisition cost of energy by OPC Rotem during performance of tests. OPC Rotem's position regarding the matters referred to by IEC, based on its legal advisors, is different and talks are being held between the parties. As at December 31, 2021, the open matters had not yet been resolved and there is no certainty regarding formulation of consents between the parties. In OPC Rotem's estimation, it is more likely than not that OPC Rotem will not pay any additional amounts in respect of the period ended December 31, 2021. Therefore, no provision was included in the financial statements.

e. Impact on OPC Rotem from amendment of standards in connection with Deviations from Consumption Plans

In February 2020, the IEA published its Decision from Meeting 573, held on January 27, 2020, regarding Amendment of Standards in connection with Deviations from the Consumption Plans (hereinafter – the "Resolution"). Pursuant to the resolution, a supplier is not permitted to sell to its consumers more than the amount of the capacity that is the subject of all the undertakings it has entered into with holders of private generation licenses. In addition, the IEA indicated that it is expected that the supplier will enter into private transactions with consumers in a scope that permits it to supply all their consumption from energy that is generated by private generators over the entire year. Actual consumption of energy at a rate in excess of 3% from the installed capacity allocated to the supplier will trigger payment of an annual tariff that reflects the annual cost of the capacity the supplier used as a result of the deviation, as detailed in the resolution ("Annual Payment in respect of Deviation from the Capacity"). In addition, the resolution provides a settlement mechanism in respect of a deviation from the daily consumption plan (surpluses and deficiencies), which will apply concurrent with the annual payment in respect of a deviation from the capacity. Application of the resolution commenced from September 1, 2020. The resolution will apply to OPC Rotem after the complementary arrangements for OPC Rotem are set.

In May 2021, IEC notified OPC Rotem that according to its approach, sale of energy by OPC Rotem to end-consumers in excess of the power plant's generation capacity deviates from the provisions of the PPA between them (as described above). OPC Rotem's position regarding the electricity acquisition agreement is different, and the matter is expected to be impacted by supplementary arrangements subject to the decision of the IEA.

As at filing date, the extent of the resolution's effect on OPC Rotem is uncertain, and it depends, among other things, on the final supplementary arrangements to be determined.

Note 17 – Contingent Liabilities, Commitments and Concessions (Cont'd)

f. Construction agreement between OPC Hadera and IDOM Servicios Integrados

In January 2016, an agreement was signed between OPC Hadera and SerIDOM Servicios Integrados IDOM, S.A.U ("IDOM"), for the design, engineering, procurement and construction of a cogeneration power plant, in consideration of about NIS 639 million (approximately $185 million) (as amended several times as part of change orders, including an amendment made in 2019 and described below), which is payable on the basis of the progress of the construction and compliance with milestones (hereinafter – "the Hadera Construction Agreement"). IDOM has provided bank guarantees and a corporate guarantee of its parent company to secure the said obligations, and OPC has provided a corporate guarantee to IDOM, in the amount of $10.5 million, to secure part of OPC Hadera's liabilities. In addition, as part of an addendum to OPC Hadera's construction agreement which was signed in October 2018, the parties agreed to waiver of past claims up to the signing date of the addendum.

In accordance with the construction agreement, OPC Hadera is entitled to certain compensation from IDOM in respect of the delay in completion of the construction of the Hadera Power Plant, and to compensation in a case of non-compliance with conditions in connection with the plant's performance. In OPC Hadera's estimation, as at year end the amount of compensation due to it for delay in deliver of the power plant is about NIS 76 million (approximately $23 million).

In July 2020, upon completion of the Hadera Power Plant, a request was received from IDOM for payment of the two final milestones of amount NIS 48 million (approximately $15 million). The two final milestone payments were paid by means of an offset against the balance of compensation. In OPC Hadera's estimation, while IDOM has contentions regarding the final settlement, OPC Hadera has an unconditional contractual right to receive the compensation for the delay in the delivery of the power plant as stated and it is more likely than not that its position will be accepted, hence, no provision has been included in the financial statements.

In May 2021 a notice letter of a dispute was received from IDOM alleging that OPC Hadera does not have grounds for charging them the amounts specified in the construction agreement for the delay ("LDs") and the performance of the power plant (including by way of offsetting), and that IDOM is entitled to additional consideration of EUR 7 million (approximately $8 million). It is noted that in June 2021, the bank guarantee provided by IDOM was extended until May 2022.

In September 2021, IDOM started an arbitration procedure against OPC Hadera in the International Court of Arbitration, including a claim for payments totaling $14 million for meeting milestones (that OPC Hadera has unilaterally offset against LDs), net of any compensation in respect of LDs which the construction contractor may be required to pay as a result of the arbitration process; additional consideration totaling EUR 7 million (approximately $8 million) in respect of work; a claim by IDOM to the effect that it may reduce the amount of guarantees it provided in favor of OPC Hadera, as well as certain declarative remedies.

OPC Hadera disputes the claims of IDOM (except in respect of an insignificant amount out of said claim, relative to EUR 7 million (approximately $8 million)), and the claims were rejected even prior to receiving IDOM's said notice. It is OPC Hadera's position, according to the power plant's construction agreement and based on the position of its legal counsel, that it is entitled to LDs and damages (limited to an amount up to the maximum specified in the construction agreement) for non-compliance with conditions set out in the agreement in connection with the performance of the power plant. The total amount in respect of all of the above grounds for compensation is capped at $36 million (which includes the offset payments described above). As at December 31, 2021, Hadera recognized an asset receivable in respect of compensation from the construction contractor of the Hadera Power Plant of NIS 28 million (approximately $9 million) due to said delay. This is recognized as a reduction against Property, plant and equipment, net.

As of the report date, OPC Hadera has filed a counter claim. Concurrently, the parties are holding negotiations to reach a compromise, but at this point the outcome remains uncertain.

In November 2021, OPC received a refund from their insurance company for IDOM of NIS 7 million (approximately $2 million) with respect to a claim filed by IDOM. As at year end, the amount was recorded under trade and other payables, and the refund was transferred to IDOM subsequent to year end in January 2022.

g. Construction agreement between OPC Tzomet and PW Power Systems LLC

In September 2018, OPC Tzomet signed a planning, procurement and construction agreement (hereinafter – "the Agreement") with PW Power Systems LLC (hereinafter – "Tzomet Construction Contractor" or "PWPS"), for construction of the Tzomet project. The Agreement is a "lump-sum turnkey" agreement wherein the Tzomet Construction Contractor committed to construct the Tzomet project in accordance with the technical and engineering specifications determined and includes various undertakings of the contractor.

In OPC Tzomet's estimation, based on the work specifications, the aggregate consideration that will be paid in the framework of the Agreement is about $300 million, and it will be paid based on the milestones provided. Pursuant to the Agreement, the Tzomet Construction Contractor undertook to complete the construction work of the Tzomet project, including the acceptance tests by January 2023.

The continuity of construction has been affected by COVID-19 due to the need to transport equipment and foreign crews to the site. The construction work of the Tzomet Power Plant is expected to be completed in the first quarter of 2023.

h. Gas agreement with Energean

In 2020, Energean Israel Ltd. ("Energean") notified OPC that "force majeure" events happened during the year, in accordance with the clauses pursuant to the agreements, and that the flow of the first gas from the Karish reservoir is expected to take place during the second half of 2021. OPC rejected the contentions that a "force majeure" event is involved.

In November 2021, Energean sent OPC Rotem and OPC Hadera an update notification whereby due to their claimed force majeure event, the first gas from the Karish Reservoir is expected in the middle of 2022.

Due to the delay in supply of the gas from the Karish reservoir, OPC Rotem and OPC Hadera will be required to acquire the quantity of gas it had planned to acquire from Energean for purposes of operation of the power plants at present gas prices, which is higher than the price stipulated in the Energean agreement. The delays in the commercial operation date of Energean, and in turn, a delay in supply of the gas from the Karish reservoir, will have an unfavorable impact on OPC's profits. In the agreements with Energean, compensation for delays had been provided, the amount of which depends on the reasons for the delay, where the limit with respect to the compensation in a case where the damages caused is "force majeure" is lower. It is noted that the damages that will be caused to OPC stemming from a delay could exceed the amount of the said compensation.

In 2021, OPC Rotem and OPC Hadera received reduced compensation of NIS 9 million (approximately $3 million) and NIS 7 million (approximately $2 million), respectively. OPC continues to reject those claims.

Note 17 – Contingent Liabilities, Commitments and Concessions (Cont'd)

i. Inkia Energy Limited (liquidated in 2019)

As part of the sale described in Note 25, Inkia agreed to indemnify the buyer and its successors, permitted assigns, and affiliates against certain losses arising from a breach of Inkia's representations and warranties and certain tax matters, subject to certain time and monetary limits depending on the particular indemnity obligation. These indemnification obligations were supported by (a) a three-year pledge of shares of OPC which represented 25% of OPC's outstanding shares, (b) a deferral of $175 million of the sale price in the form of a four-year $175 million Deferred Payment Agreement, accruing interest at 8% per year and payable in-kind, and (c) a three-year corporate guarantee from Kenon for all of the Inkia's indemnification obligations, all of the foregoing periods running from the closing date of December 31, 2017. In December 2018, the indemnification commitment was assigned by Inkia to a fellow wholly owned subsidiary of Kenon.

In October 2020, as part of an early repayment of the deferred payment agreement where Kenon received $218 million ($188 million net of taxes), Kenon agreed to increase the number of OPC shares pledged to the buyer of the Inkia business to 55,000,000 shares and to extend the pledge of OPC shares and the corporate guarantee from Kenon for all of Inkia's indemnification obligations until December 31, 2021.

Subsequent to year end, in accordance with the agreement, 53,500,000 shares were released from pledge, and 1,500,000 shares of OPC remain pledged in light of an indemnity claim relating to a tax assessment claim in the amount of $11 million.

B. Commitments

OPC entered into long-term service maintenance contracts for its operating power plants. The number of maintenance hours and price are specified in the agreements.

OPC entered into long-term infrastructure contracts for use of PRMS at its operating power plants. The price is specified in the agreements.

OPC entered into long-term PPAs with its customers (of which some included construction of generation facilities) for sale of electricity and gas. The supply quantity, period and pricing are specified in the agreements. OPC has also entered into long-term PPAs with its suppliers for purchase of electricity and gas. The minimum purchase quantity, period and pricing are specified in the agreements.

OPC entered into long-term construction agreements for constructing its power plants. The price, technical and engineering specifications, and work milestones are specified in the agreements. For more information relating to the construction of the Tzomet power plant, refer to 17.A.g.

Note 18 – Share Capital and Reserves

A. Share Capital

	Company No. of shares ('000)	
	2021	**2020**
Authorised and in issue at January, 1	53,871	53,858
Issued for share plan	8	13
Authorised and in issue at December. 31	53,879	53,871

All shares rank equally with regards to Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All issued shares are fully paid with no par value.

The capital structure of the Company comprises of issued capital and accumulated profits and the capital structure is managed to ensure that the Company will be able to continue to operate as a going concern. The Company is not subjected to externally imposed capital requirement.

In 2021, 7,958 (2020: 12,661) ordinary shares were granted under the Share Incentive Plan to key management at an average price of $29.41 (2020: $21.09) per share.

B. Translation reserve

The translation reserve includes all the foreign currency differences stemming from translation of financial statements of foreign activities as well as from translation of items defined as investments in foreign activities commencing from January 1, 2007 (the date IC first adopted International Financial Reporting Standards).

C. Capital reserves

The capital reserve reflects the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge (ie the portion that is offset by the change in the cash flow hedge reserve).

In 2021, approximately 4.7 million share options of ZIM were exercised, resulting in a proportionate share of increase in capital reserve attributable to owners of the Company of $5.4 million. Approximately 250 thousand share options of OPC were exercised, resulting in an increase in capital reserve attributable to owners of the Company of $1.6 million.

D. Dividends

In November 2019, Kenon's board of directors approved a cash dividend of $1.21 per share (an aggregate amount of approximately $65 million), to Kenon's shareholders of record as of the close of trading on November 18, 2019, paid on November 26, 2019.

In October 2020, Kenon's shareholders approved a cash dividend of $2.23 per share (an aggregate amount of approximately $120 million), to Kenon's shareholders of record as of the close of trading on November 3, 2020, paid on November 10, 2020.

In April 2021, Kenon's board of directors approved a cash dividend of $1.86 per share (an aggregate amount of approximately $100 million), to Kenon's shareholders of record as of the close of trading on April 29, 2021, paid on May 6, 2021.

In November 2021, Kenon's board of directors approved a cash dividend of $3.50 per share (an aggregate amount of approximately $189 million), to Kenon's shareholders of record as of the close of trading on January 19, 2022, paid subsequent to year end on January 27, 2022.

Note 18 – Share Capital and Reserves (Cont'd)

E. Kenon's share plan

Kenon has established a Share Incentive Plan for its directors and management. The plan provides grants of Kenon shares, as well as stock options in respect of Kenon's shares, to directors and officers of the Company pursuant to awards, which may be granted by Kenon from time to time, representing up to 3% of the total issued shares (excluding treasury shares) of Kenon. During 2021, 2020 and 2019, Kenon granted awards of shares to certain members of its management. Such shares are vested upon the satisfaction of certain conditions, including the recipient's continued employment in a specified capacity and Kenon's listing on each of the NYSE and the TASE. The fair value of the shares granted in 2021 is $234 thousand (2020: $267 thousand, 2019: $520 thousand) and was determined based on the fair value of Kenon's shares on the grant date. Kenon recognized $258 thousand as general and administrative expenses in 2021 (2020: $350 thousand, 2019: $511 thousand).

Note 19 – Revenue

	For the Year Ended December 31,		
	2021	2020	2019
		$ Thousands	
Revenue from sale of electricity	445,000	369,421	356,648
Revenue from sale of steam	17,648	16,204	16,494
Revenue from provision of services	25,115	-	-
Others	-	845	331
	487,763	386,470	373,473

Note 20 – Cost of Sales and Services (excluding Depreciation and Amortization)

	For the Year Ended December 31,		
	2021	2020	2019
		$ Thousands	
Fuels	153,122	135,706	138,502
Electricity and infrastructure services	133,502	125,782	101,085
Salaries and related expenses	21,095	7,244	6,661
Generation and operating expenses and outsourcing	16,798	8,625	6,326
Insurance	4,989	3,503	2,360
Others	6,792	1,226	1,102
	336,298	282,086	256,036

Note 21 – Selling, General and Administrative Expenses

	For the Year Ended December 31,		
	2021	2020	2019
		$ Thousands	
Payroll and related expenses (1)	41,930	11,360	10,853
Depreciation and amortization	2,623	1,023	951
Professional fees	16,069	8,386	12,806
Business development expenses	1,566	1,998	1,947
Expenses in respect of acquisition of CPV Group	752	12,227	-
Other expenses	12,787	14,963	9,879
	75,727	49,957	36,436

(1) A portion of this relates to profit sharing for CPV Group employees

The fair value of the CPV Group's Profit-Sharing Plan is recognized as an expense, against a corresponding increase in liability, over the period in which the unconditional right to payment is achieved. The liability is remeasured at each reporting date until the settlement date. Any change in the fair value of the liability is recognized in the consolidated statements of profit and loss. In 2021, the CPV Group recorded expenses in the amount of approximately NIS 50 million (approximately $15 million).

Note 22 – Financing Income (Expenses), Net

	For the Year Ended December 31,		
	2021	2020	2019
		$ Thousands	
Interest income from bank deposits	167	780	2,545
Net change in fair value of derivative financial instruments	443	-	-
Interest income from deferred payment	-	13,511	15,134
Amount reclassified to consolidated statements of profit & loss from capital reserve in respect of cash flow hedges	2,121	-	-
Other income	203	-	-
Financing income	2,934	14,291	17,679
Interest expenses to banks and others	(51,924)	(24,402)	(22,420)
Amount reclassified to consolidated statements of profit & loss from capital reserve in respect of cash flow hedges	-	(6,300)	(2,743)
Net change in exchange rates	(5,997)	(5,645)	(2,328)
Net change in fair value of derivative financial instruments	-	(1,569)	(1,657)
Early repayment fee (Note 14.B, Note 14.E)	(84,196)	(11,852)	-
Other expenses	(2,178)	(1,406)	(798)
Financing expenses	(144,295)	(51,174)	(29,946)
Net financing expenses	(141,361)	(36,883)	(12,267)

Note 23 – Income Taxes

A. Components of the Income Taxes

	For the Year Ended December 31,		
	2021	**2020**	**2019**
		$ Thousands	
Current taxes on income			
In respect of current year	28,009	734	2,569
In respect of prior years	-	1	(18)
Deferred tax (income)/expense			
Creation and reversal of temporary differences	(23,684)	3,963	14,124
Total tax expense on income	4,325	4,698	16,675

No previously unrecognized tax benefits were used in 2019, 2020 or 2021 to reduce our current tax expense.

B. Reconciliation between the theoretical tax expense (benefit) on the pre-tax income (loss) and the actual income tax expenses

	For the Year Ended December 31,		
	2021	**2020**	**2019**
		$ Thousands	
Profit/(loss) from continuing operations before income taxes	879,642	500,447	(5,536)
Statutory tax rate	17.00%	17.00%	17.00%
Tax computed at the statutory tax rate	149,539	85,076	(941)
Increase (decrease) in tax in respect of:			
Elimination of tax calculated in respect of the Group's share in losses of associated companies	(190,539)	(27,353)	7,043
Different tax rate applicable to subsidiaries operating overseas	(9,297)		
Income subject to tax at a different tax rate	-	441	5,960
Non-deductible expenses	44,851	1,028	5,408
Exempt income	(23,937)	(61,415)	(4,714)
Taxes in respect of prior years	(361)	1	(18)
Tax in respect of foreign dividend	28,172	-	-
Share of non-controlling interests in entities transparent for tax purposes	5,528	-	-
Tax losses and other tax benefits for the period regarding which deferred taxes were not recorded	95	7,647	3,946
Other differences	274	(727)	(9)
Tax expense on income included in the statement of profit and loss	4,325	4,698	16,675

Note 23 – Income Taxes (Cont'd)

C. Deferred tax assets and liabilities

1. Deferred tax assets and liabilities recognized

The deferred taxes are calculated based on the tax rate expected to apply at the time of the reversal as detailed below. Deferred taxes in respect of subsidiaries were calculated based on the tax rates relevant for each country.

The deferred tax assets and liabilities are derived from the following items:

	Property plant and equipment	Carryforward of losses and deductions for tax purposes	Financial instruments	Other*	Total
			$ thousands		
Balance of deferred tax asset (liability) as at January 1, 2020	(82,805)	2,518	141	2,099	(78,047)
Changes recorded on the statement of profit and loss	(6,230)	(951)	212	3,006	(3,963)
Changes recorded in other comprehensive income	-	-	1,346	-	1,346
Translation differences	(6,639)	124	117	100	(6,298)
Balance of deferred tax asset (liability) as at December 31, 2020	(95,674)	1,691	1,816	5,205	(86,962)
Changes recorded on the statement of profit and loss	(23,591)	106,643	49	(80,662)	2,439
Changes recorded in other comprehensive income	-	-	(423)	(2,847)	(3,270)
Change as a result of business combinations	(4,050)	2,882	(232)	(5,350)	(6,750)
Translation differences	(3,915)	1,126	50	101	(2,638)
Balance of deferred tax asset (liability) as at December 31, 2021	(127,230)	112,342	1,260	(83,553)	(97,181)

* This amount includes deferred tax arising from intangibles, undistributed profits, non-monetary items, associated companies and trade receivables distribution.

2. The deferred taxes are presented in the statements of financial position as follows:

	As at December 31,	
	2021	2020
	$ Thousands	
As part of non-current assets	49,275	7,374
As part of current liabilities	(21,117)	-
As part of non-current liabilities	(125,339)	(94,336)
	(97,181)	(86,962)

Income tax rate in Israel is 23% for the years ended December 31, 2021, 2020 and 2019. The tax rate applicable to US companies are (i) federal corporate tax of 21% and (ii) state tax ranging from 6% to 11.5%. In Singapore, the corporate tax rate is 17%. Dividends received by Kenon from an associated company incorporated in Israel, ZIM, is subject to a withholding tax rate of 5%.

On January 4, 2016, Amendment 216 to the Income Tax Ordinance (New Version) – 1961 (hereinafter – "the Ordinance") was passed in the Knesset. As part of the amendment, OPC's and Hadera's income tax rate was reduced by 1.5% to a rate of 25% as from 2016. Furthermore, on December 22, 2016 the Knesset plenum passed the Economic Efficiency Law (Legislative Amendments for Achieving Budget Objectives in the Years 2017 and 2018) – 2016, by which, inter alia, the corporate tax rate would be reduced from 25% to 23% in two steps. The first step will be to a rate of 24% as from January 2017 and the second step will be to a rate of 23% as from January 2018.

As a result of reducing the tax rate to 23%, the deferred tax balance as at December 31, 2021 and 2020 were calculated according to the new tax rates specified in the Economic Efficiency Law (Legislative Amendments for Achieving Budget Objectives in the years 2017 and 2018), at the tax rate expected to apply on the reversal date.

3. Tax and deferred tax balances not recorded

Unrecognised deferred tax assets

	As at December 31,	
	2021	2020
	$ Thousands	
Losses for tax purposes	167,758	54,985
Deductible temporary differences	-	1,971
	167,758	56,956

According to Israeli tax law, there is no time limit on the utilization of tax losses and the utilization of the deductible temporary differences. Deferred tax assets were not recognized for these items, since it is not expected that there will be taxable income in the future, against which the tax benefits can be utilized.

In the United States, as of December 31, 2021, the Group had loss carryforwards for which no deferred taxes have been created, as detailed below:

- Net operating losses for tax purposes of $108 million, which may be offset for tax purposes in the United States against future income, subject to complying with the conditions of the law, some of which are not under the OPC's control and, therefore, OPC did not recognize deferred tax assets in respect thereof. These losses will expire in 2027-2037.

- $2 million in tax credits, offsettable for tax purposes in the United States against future profits in the United States, are subject to complying with the conditions of the law, some of which are not under the OPC's control and, therefore, OPC did not recognize deferred tax assets. These losses will expire in 2027-2037.

Unrecognised deferred tax liabilities

The tax effect on taxable temporary differences of $112 million (2020: $nil) has not been recorded as this arises from undistributed profits of the Group's associated companies which the Group does not expect to incur.

4. Safe habor rules

Singapore does not impose taxes on disposal gains, which are considered to be capital in nature, but imposes tax on income and gains of a trading nature. As such, whenever a gain is realized on the disposal of an asset, the practice of the IRAS is to rely upon a set of commonly-applied rules in determining the question of capital (not taxable) or revenue (taxable). Under Singapore tax laws, any gains derived by a divesting company from its disposal of ordinary shares in an investee company between June 1, 2012 and December 31, 2027 are generally not taxable if, immediately prior to the date of such disposal, the divesting company has held at least 20% of the ordinary shares in the investee company for a continuous period of at least 24 months.

Note 24 – Earnings per Share

Data used in calculation of the basic / diluted earnings per share

A. Profit/(Loss) allocated to the holders of the ordinary shareholders

	For the year ended December 31,		
	2021	**2020**	**2019**
		$ Thousands	
Profit/(loss) for the year attributable to Kenon's shareholders	930,273	507,106	(13,359)
Profit for the year from discontinued operations (after tax) attributable to Kenon's shareholders	-	8,476	24,653
Profit/(loss) for the year from continuing operations attributable to Kenon's shareholders	930,273	498,630	(38,012)

B. Number of ordinary shares

	For the year ended December 31		
	2021	**2020**	**2019**
		Thousands	
Weighted Average number of shares used in calculation of basic/diluted earnings per share	53,879	53,870	53,856

Note 25 – Discontinued Operations

(a) I.C. Power (Latin America businesses)

In December 2017, Kenon, through its wholly-owned subsidiary Inkia Energy Limited ("Inkia"), sold its Latin American and Caribbean power business to an infrastructure private equity firm, I Squared Capital ("ISQ"). As a result, the Latin American and Caribbean businesses were classified as discontinued operations.

Kenon's subsidiaries are entitled to receive payments in connection with certain claims held by companies within Inkia's businesses. In 2019, one of Kenon's subsidiaries received a favorable award in a commercial arbitration proceeding relating to retained claims from the sale of the Inkia business. $25 million, net of taxes, was recognized in discontinued operations. In 2020, following the completion of a tax review related to the sale, Kenon recognized income of $8 million, net of taxes.

Set forth below are the results attributable to the discontinued operations

	Year ended December 31, 2021	**Year ended December 31, 2020**	**Year ended December 31, 2019**
		$ Thousands	
Recovery of retained claims	-	9,923	30,000
Income taxes	-	(1,447)	(5,347)
Profit after income taxes	-	8,476	24,653
Net cash flows provided by investing activities	-	8,476	24,567

Note 26 – Segment, Customer and Geographic Information

Financial information of the reportable segments is set forth in the following tables:

	OPC Israel	CPV Group	ZIM	Quantum	Others	Total
			$ Thousands			
2021						
Revenue	437,043	50,720	-	-	-	487,763
(Loss)/profit before taxes	(57,040)	(60,709)	1,260,789	(251,483)	(11,915)	879,642
Income tax benefit/(expense)	10,155	13,696	-	-	(28,176)	(4,325)
(Loss)/profit from continuing operations	(46,885)	(47,013)	1,260,789	(251,483)	(40,091)	875,317
Depreciation and amortization	44,296	13,102	-	-	242	57,640
Financing income	(2,730)	(37)	-	-	(167)	(2,934)
Financing expenses	119,392	24,640	-	-	263	144,295
Other items:						
Losses related to Qoros	-	-	-	251,483	-	251,483
Losses related to ZIM	-	-	204	-	-	204
Share in losses/(profit) of associated companies	419	10,425	(1,260,993)	-	-	(1,250,149)
	161,377	48,130	(1,260,789)	251,483	338	(799,461)
Adjusted EBITDA	104,337	(12,579)	-	-	(11,577)	80,181
Segment assets	1,511,408	431,474	-	-	226,337	2,169,219
Investments in associated companies	-	545,242	1,354,212	-	-	1,899,454
						4,068,673
Segment liabilities	1,354,476	218,004	-	-	215,907	1,788,387

	OPC Israel	CPV Group	ZIM	Quantum	Others	Total
			$ Thousands			
2020						
Revenue	385,625	-	-	-	845	386,470
(Loss)/profit before taxes	(8,620)	-	210,647	303,669	(5,249)	500,447
Income tax expense	(3,963)	-	-	-	(735)	(4,698)
(Loss)/profit from continuing operations	(12,583)	-	210,647	303,669	(5,984)	495,749
Depreciation and amortization	33,981	-	-	-	190	34,171
Financing income	(354)	-	-	-	(13,937)	(14,291)
Financing expenses	50,349	-	-	1	824	51,174
Other items:					-	
Net gains related to Qoros	-	-	-	(309,918)	-	(309,918)
Write back of impairment of investment	-	-	(43,505)	-	-	(43,505)
Share in losses/(profit) of associated companies	-	-	(167,142)	6,248	-	(160,894)
	83,976	-	(210,647)	(303,669)	(12,923)	(443,263)
Adjusted EBITDA	75,356	-	-	-	(18,172)	57,184
Segment assets	1,723,967	-	-	235,220	225,998	2,185,185
Investments in associated companies	-	-	297,148	-	-	297,148
						2,482,333
Segment liabilities	1,200,363	-	-	-	5,962	1,206,325

Note 26 – Segment, Customer and Geographic Information (Cont'd)

	OPC Israel	Quantum	ZIM	Others	Total
			$ Thousands		
2019					
Revenue	373,142	-	-	331	373,473
Profit/(loss) before taxes	48,513	(44,626)	(4,375)	(5,048)	(5,536)
Income Taxes	(14,147)	-	-	(2,528)	(16,675)
Profit/(loss) from continuing operations	34,366	(44,626)	(4,375)	(7,576)	(22,211)
Depreciation and amortization	31,141	-	-	951	32,092
Financing income	(1,930)	(242)	-	(15,507)	(17,679)
Financing expenses	28,065	-	-	1,881	29,946
Other items:					
Net losses related to Qoros	-	7,813	-	-	7,813
Share in losses of associated companies	-	37,055	4,375	-	41,430
	57,276	44,626	4,375	(12,675)	93,602
Adjusted EBITDA	105,789	-	-	(17,723)	88,066
Segment assets	1,000,329	71,580	-	247,155	1,319,064
Investments in associated companies	-	105,040	84,270	-	189,310
					1,508,374
Segment liabilities	761,866	-	-	34,720	796,586

A. Customer and Geographic Information

Major customers

Following is information on the total sales of the Group to material customers and the percentage of the Group's total revenues (in $ Thousands):

	2021		2020		2019	
Customer	Total revenues	Percentage of revenues of the Group	Total revenues	Percentage of revenues of the Group	Total revenues	Percentage of revenues of the Group
Customer 1	93,959	19.26%	86,896	22.48%	80,861	21.65%
Customer 2	70,801	14.52%	74,694	19.33%	76,653	20.52%
Customer 3	-*	-*	-*	-*	56,393	15.10%
Customer 4	-*	-*	-*	-*	48,724	13.05%
Customer 5	-*	-*	-*	-*	39,904	10.68%

* Represents an amount less than 10% of the revenues.

Note 26 – Segment, Customer and Geographic Information (Cont'd)

Information based on geographic areas

The Group's geographic revenues are as follows:

	For the year ended December 31,		
	2021	2020	2019
		$ Thousands	
Israel	437,043	385,625	373,142
United States	50,720	-	-
Others	-	845	331
Total revenue	487,763	386,470	373,473

The Group's non-current assets* on the basis of geographic location:

	As at December 31,	
	2021	2020
	$ Thousands	
Israel	1,039,505	820,012
United States	310,426	-
Others	171	1
Total non-current assets	1,350,102	820,013

* Composed of property, plant and equipment and intangible assets.

Note 27 – Related-party Information

A. Identity of related parties:

The Group's related parties include Kenon's beneficial owners and Kenon's subsidiaries, affiliates and associates companies. Kenon's immediate holding company is Ansonia Holdings Singapore B.V.

In the ordinary course of business, some of the Group's subsidiaries and affiliates engage in business activities with each other.

Ordinary course of business transactions are aggregated in this note. Other than disclosed elsewhere in the consolidated financial statements during the period, the Group engaged the following material related party transactions.

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company. The directors, CEO and CFO are considered key management personnel of the Company.

B. Transactions with directors and officers (Kenon's directors and officers):

Key management personnel compensation

	For the year ended December 31,	
	2021	2020
	$ Thousands	
Short-term benefits	1,994	1,837
Share-based payments	258	351
	2,252	2,188

Note 27 – Related-party Information (Cont'd)

C. Transactions with related parties (including associates):

	For the year ended December 31,		
	2021	2020	2019
		$ Thousands	
Sale of electricity	88,004	80,416	78,362
Cost of sales	7,802	16	14
Dividend received from associate	143,964	-	-
Other income, net	(337)	(90)	(129)
Financing expenses, net	39,901	2,156	1,256
Interest expenses capitalized to property plant and equipment	-	119	312

D. Balances with related parties (including associates):

	As at December 31, 2021		As at December 31, 2020	
	Other related parties *	Total	Other related parties *	Total
	$ Thousands		$ Thousands	
Cash and cash equivalent	89,814	89,814	467	467
Short-term deposits and restricted cash	-	-	352,150	352,150
Trade receivables and other receivables	14,860	14,860	9,108	9,108
Other payables	(424)	424	-	-
Loans and Other Liabilities				
In US dollar or linked thereto	(27,587)	(27,587)	(157,449)	(157,449)

* IC, Israel Chemicals Ltd ("ICL"), Oil Refineries Ltd ("Bazan").

These balances relate to amounts with entities that are related to Kenon's beneficial owners.

E. For further investment by Kenon into OPC, see Note 10.A.1.o.

Note 28 – Financial Instruments

A. General

The Group has international activity in which it is exposed to credit, liquidity and market risks (including currency, interest, inflation and other price risks). In order to reduce the exposure to these risks, the Group holds derivative financial instruments, (including forward transactions, interest rate swap (“SWAP”) transactions, and options) for the purpose of economic (not accounting) hedging of foreign currency risks, inflation risks, commodity price risks, interest risks and risks relating to the price of inputs.

This note presents information about the Group’s exposure to each of the above risks, and the Group’s objectives, policies and processes for measuring and managing the risk.

The risk management of the Group companies is executed by them as part of the ongoing current management of the companies. The Group companies monitor the above risks on a regular basis. The hedge policies with respect to all the different types of exposures are discussed by the boards of directors of the companies.

The comprehensive responsibility for establishing the base for the risk management of the Group and for supervising its implementation lies with the Board of Directors and the senior management of the Group.

B. Credit risk

Counterparty credit risk is the risk that the financial benefits of contracts with a specific counterparty will be lost if a counterparty defaults on their obligations under the contract. This includes any cash amounts owed to the Group by those counterparties, less any amounts owed to the counterparty by the Group where a legal right of set-offs exists and also includes the fair values of contracts with individual counterparties which are included in the financial statements. The maximum exposure to credit risk at each reporting date is the carrying value of each class of financial assets mentioned in this note.

(1) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at year end was:

	As at December 31,	
	2021	2020
	$ Thousands	
	Carrying amount	
Cash and cash equivalents	474,544	286,184
Short-term and long-term deposits and restricted cash	26,720	636,201
Trade receivables and other assets	92,552	61,974
Short-term and long-term derivative instruments	9,103	279
	602,919	984,638

Based on the credit risk profiles of the Group’s counterparties relating to the Group’s cash and cash equivalents, short-term and long-term deposits and restricted cash, trade receivables and other assets, short-term and long-term derivative instruments, the Group has assessed these expected credit loss on the financial assets to be immaterial. The maximum exposure to credit risk for trade receivables as at year end, by geographic region was as follows:

	As at December 31,	
	2021	2020
	$ Thousands	
Israel	56,632	47,741
Other regions	6,011	207
	62,643	47,948

Note 28 – Financial Instruments (Cont'd)

(2) Aging of debts

Set forth below is an aging of the trade receivables:

	As at December 31	
	2021	2020
	$ Thousands	$ Thousands
Not past due	62,643	47,948

No ECL has been recorded on any trade receivable amounts based on historical credit loss data and the Group's view of economic conditions over the expected lives of the receivables.

C. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and adverse credit and market conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages its liquidity risk by means of holding cash balances, short-term deposits, other liquid financial assets and credit lines.

Set forth below are the anticipated repayment dates of the financial liabilities, including an estimate of the interest payments. This disclosure does not include amounts regarding which there are offset agreements:

	As at December 31, 2021					
	Book value	Projected cash flows	Up to 1 year	1-2 years	2-5 years	More than 5 years
	$ Thousands					
Non-derivative financial liabilities						
Trade payables	136,505	136,505	136,505	-	-	-
Other current liabilities	204,686	204,686	204,686	-	-	-
Lease liabilities including interest payable *	33,395	38,375	19,492	2,602	6,232	10,049
Debentures (including interest payable) *	586,600	669,883	21,326	24,431	236,364	387,762
Loans from banks and others including interest *	628,293	772,875	44,244	70,895	325,201	332,535
Financial liabilities – hedging instruments						
Forward exchange rate contracts	5,014	6,368	6,230	138	-	-
Other forward exchange rate contracts	1,199	1,790	1,790	-	-	-
	1,595,692	1,830,482	434,273	98,066	567,797	730,346

* Includes current portion of long-term liabilities.

Note 28 – Financial Instruments (Cont'd)

	As at December 31, 2020					
	Book value	Projected cash flows	Up to 1 year	1-2 years	2-5 years	More than 5 years
	$ Thousands					
Non-derivative financial liabilities						
Trade payables	92,542	92,542	92,542	-	-	-
Other current liabilities	24,302	24,302	24,302	-	-	-
Lease liabilities including interest payable *	18,605	22,075	14,378	667	1,840	5,190
Debentures (including interest payable) *	304,701	349,869	13,999	13,914	90,142	231,814
Loans from banks and others including interest *	615,843	799,275	65,337	63,087	260,065	410,786
Financial liabilities – hedging instruments						
Interest SWAP contracts	11,014	41,092	6,083	5,596	13,923	15,490
Forward exchange rate contracts	34,273	33,409	31,637	1,772	-	-
Other forward exchange rate contracts	766	748	748	-	-	-
	1,102,046	1,363,312	249,026	85,036	365,970	663,280

* Includes current portion of long-term liabilities.

D. Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, the CPI, interest rates and prices of capital products and instruments will affect the fair value of the future cash flows of a financial instrument.

The Group buys and sells derivatives in the ordinary course of business, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Boards of Directors of the companies. For the most part, the Group companies enter into hedging transactions for purposes of avoiding economic exposures that arise from their operating activities. Most of the transactions entered into do not meet the conditions for recognition as an accounting hedge and, therefore, differences in their fair values are recorded on the statement of profit and loss.

(1) CPI and foreign currency risk

Currency risk

The Group's functional currency is the U.S. dollar. The exposures of the Group companies are measured with reference to the changes in the exchange rate of the dollar vis-à-vis the other currencies in which it transacts business.

The Group is exposed to currency risk on sales, purchases, assets and liabilities that are denominated in a currency other than the respective functional currencies of the Group entities. The primary exposure is to the Shekel (NIS).

The Group uses options and forward exchange contracts on exchange rates for purposes of hedging short-term currency risks, usually up to one year, in order to reduce the risk with respect to the final cash flows in dollars deriving from the existing assets and liabilities and sales and purchases of goods and services within the framework of firm or anticipated commitments, including in relation to future operating expenses.

The Group is exposed to currency risk in relation to loans it has taken out and debentures it has issued in currencies other than the dollar. The principal amounts of these bank loans and debentures have been hedged by swap transactions the repayment date of which corresponds with the payment date of the loans and debentures.

Note 28 – Financial Instruments (Cont'd)

The Group's exposure to foreign currency risk in respect of non-hedging derivative financial instruments is as follows:

	As at December 31, 2021					
	Currency/ linkage receivable	Currency/ linkage payable	Amount receivable	Amount payable	Expiration dates	Fair value
			$ Thousands			
Forward contracts on exchange rates	Dollar	NIS	3,135	9,746	2022	3
Forward contracts on exchange rates	EURO	NIS	4,929	18,571	2022	(1,199)
Call options on foreign currency	Dollar	NIS	17,828	67,231	2022	4

	As at December 31, 2020					
	Currency/ linkage receivable	Currency/ linkage payable	Amount receivable	Amount payable	Expiration dates	Fair value
			$ Thousands			
Forward contracts on exchange rates	Dollar	NIS	12,064	39,535	2021	(766)
Call options on foreign currency	Dollar	NIS	50,284	189,620	2021–2022	278
Put options on foreign currency	Dollar	NIS	35,347	9,374	2021	(33)

The Group's exposure to foreign currency risk in respect of non-hedging derivative financial instruments is as follows:

	As at December 31, 2021					
	Currency/ linkage receivable	Currency/ linkage payable	Amount receivable	Amount payable	Expiration dates	Fair value
			$ Thousands			
Forward contracts on exchange rates	Dollar	NIS	33,333	109,259	2022-2023	(5,014)

	As at December 31, 2020					
	Currency/ linkage receivable	Currency/ linkage payable	Amount receivable	Amount payable	Expiration dates	Fair value
			$ Thousands			
Forward contracts on exchange rates	Dollar	NIS	175,704	598,295	2021–2022	(34,273)

Inflation risk

The Group has CPI-linked loans. The Group is exposed to payments of higher interest and principal as the result of an increase in the CPI. It is noted that part of the Group's anticipated revenues will be linked to the CPI. The Group does not hedge this exposure beyond the expected hedge included in its revenues.

Note 28 – Financial Instruments (Cont'd)

a. Breakdown of CPI-linked derivative instruments

The Group's exposure to index risk with respect to derivative instruments used for hedging purposes is shown below:

	As at December 31, 2021				
	Index receivable	Interest payable	Expiration date	Amount of linked principal	Fair value
				$ Thousands	
CPI-linked derivative instruments					
Interest exchange contract	CPI	1.76%	2036	107,598	7,369

	As at December 31, 2020				
	Index receivable	Interest payable	Expiration date	Amount of linked principal	Fair value
				$ Thousands	
CPI-linked derivative instruments					
Interest exchange contract	CPI	1.70%	2031	240,462	(7,371)
Interest exchange contract	CPI	1.76%	2036	109,087	(3,643)

For additional details, please refer to Note 14.E.

Note 28 – Financial Instruments (Cont'd)

b. Exposure to CPI and foreign currency risks

The Group's exposure to CPI and foreign currency risk, based on nominal amounts, is as follows:

	As at December 31, 2021		
	Shekel		Foreign currency
	Unlinked	CPI linked	Other
Non-derivative instruments			
Cash and cash equivalents	159,838	-	1,329
Short-term deposits and restricted cash	179	-	50
Trade receivables	56,632	-	81
Other current assets	1,308	-	4
Long-term deposits and restricted cash	21,463	-	-
Total financial assets	239,420	-	1,464
Trade payables	59,381		11,842
Other current liabilities	23,536	7,044	190
Loans from banks and others and debentures	592,102	459,732	-
Total financial liabilities	675,019	466,776	12,032
Total non-derivative financial instruments, net	(435,599)	(466,776)	(10,568)
Derivative instruments	-	7,369	(1,199)
Net exposure	(435,599)	(459,407)	(11,767)

	As at December 31, 2020		
	Shekel		Foreign currency
	Unlinked	CPI linked	Other
Non-derivative instruments			
Cash and cash equivalents	55,512	-	251
Short-term deposits and restricted cash	537,563	-	-
Trade receivables	47,791	-	156
Other current assets	2,909	-	8
Investments in other companies	-	-	235,218
Long-term deposits and restricted cash	60,954	-	-
Total financial assets	704,729	-	235,633
Trade payables	41,051	-	13,723
Other current liabilities	21,056	4,952	244
Loans from banks and others and debentures	131,082	789,462	-
Total financial liabilities	193,189	794,414	13,967
Total non-derivative financial instruments, net	511,540	(794,414)	221,666
Derivative instruments	-	(11,014)	-
Net exposure	511,540	(805,428)	221,666

Note 28 – Financial Instruments (Cont'd)

c. Sensitivity analysis

A strengthening of the dollar exchange rate by 5%–10% against the following currencies and change of the CPI in rate of 1%–2% would have increased (decreased) the net income or net loss and the equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	As at December 31, 2021			
	10% increase	5% increase	5% decrease	10% decrease
	$ Thousands			
Non-derivative instruments				
Shekel/dollar	(9,219)	(4,609)	4,609	9,219
Shekel/EUR	(728)	(364)	364	728

	As at December 31, 2021			
	2% increase	1% increase	1% decrease	2% decrease
	$ Thousands			
Non-derivative instruments				
CPI	(6,639)	(3,320)	3,320	6,201

	As at December 31, 2020			
	10% increase	5% increase	5% decrease	10% decrease
	$ Thousands			
Non-derivative instruments				
Shekel/dollar	452	226	(226)	(452)
Shekel/EUR	(814)	(407)	407	814

	As at December 31, 2020			
	2% increase	1% increase	1% decrease	2% decrease
	$ Thousands			
Non-derivative instruments				
CPI	(13,455)	(6,727)	3,346	6,095

(2) Interest rate risk

The Group is exposed to changes in the interest rates with respect to loans bearing interest at variable rates, as well as in relation to swap transactions of liabilities in foreign currency for dollar liabilities bearing a variable interest rate.

The Group has not set a policy limiting the exposure and it hedges this exposure based on forecasts of future interest rates.

The Group enters into transactions mainly to reduce the exposure to cash flow risk in respect of interest rates. The transactions include interest rate swaps and "collars". In addition, options are acquired and written for hedging the interest rate at different rates.

Note 28 – Financial Instruments (Cont'd)

Type of interest

Set forth below is detail of the type of interest borne by the Group's interest-bearing financial instruments:

	As at December 31,	
	2021	2020
	Carrying amount	
	$ Thousands	
Fixed rate instruments		
Financial assets	16,137	580,607
Financial liabilities	(941,733)	(860,787)
	(925,596)	(280,180)
Variable rate instruments		
Financial assets	55,033	86,028
Financial liabilities	(267,882)	(57,078)
	(212,849)	28,950

The Group's assets and liabilities bearing fixed interest are not measured at fair value through the statement of profit and loss and the Group does not designate derivatives interest rate swaps as hedging instruments under a fair value hedge accounting model. Therefore, a change in the interest rates as at the date of the report would not be expected to affect the income or loss with respect to changes in the value of fixed – interest assets and liabilities.

A change of 100 basis points in interest rate at reporting date would have increased/(decreased) profit and loss before tax by the amounts below. This analysis assumes that all variables, in particular foreign currency rates, remain constant.

	As at December 31, 2021	
	100bp increase	100 bp decrease
	$ Thousands	
Variable rate instruments	(2,128)	2,128

	As at December 31, 2020	
	100bp increase	100 bp decrease
	$ Thousands	
Variable rate instruments	290	(290)

A change of 0.5%–1.5% in the LIBOR interest rate at reporting date would have increased/(decreased) the net income or net loss and the equity by the amounts below. This analysis assumes that all variables, in particular foreign currency rates, remain constant.

	As at December 31, 2021			
	0.5% decrease	0.5% increase	1% increase	1.5% increase
	$ Thousands			
Long-term loans (US LIBOR)	566	(567)	(1,133)	(1,699)
Interest rate swaps (US LIBOR)	(396)	396	793	1,189

The Group's exposure to LIBOR risk for derivative financial instruments used for hedging is as follows:

		As at December 31, 2021			
	Linkage receivable	Interest rate	Expiration date	Amount of the linked reserve	Fair value
				$ Thousands	
Interest rate swaps	USD LIBOR interest	0.93%	2030	69,371	936

Note 28 – Financial Instruments (Cont'd)

E. Fair value

(1) Fair value compared with carrying value

The Group's financial instruments include mainly non-derivative assets, such as: cash and cash equivalents, investments, deposits and short-term loans, receivables and debit balances, investments and long-term receivables; non-derivative liabilities: such as: short-term credit, payables and credit balances, long-term loans, finance leases and other liabilities; as well as derivative financial instruments. In addition, fair value disclosure of lease liabilities is not required.

Due to their nature, the fair value of the financial instruments included in the Group's working capital is generally identical or approximates the book value.

The following table shows in detail the carrying amount and the fair value of financial instrument groups presented in the financial statements not in accordance with their fair value.

	As at December 31, 2021	
	Carrying amount	Fair value
	$ Thousands	
Liabilities		
Non-convertible debentures	586,600	642,077
Long-term loans from banks and others (excluding interest)	488,455	545,806
Loan from non-controlling interests	138,050	141,596

	As at December 31, 2020	
	Carrying amount	Fair value
	$ Thousands	
Liabilities		
Non-convertible debentures	304,701	328,426
Long-term loans from banks and others (excluding interest)	615,403	733,961

The fair value of long-term loans from banks and others (excluding interest) is classified as level 2, and measured using the technique of discounting the future cash flows with respect to the principal component and the discounted interest using the market interest rate on the measurement date.

(2) Hierarchy of fair value

The following table presents an analysis of the financial instruments measured at fair value, using an evaluation method. The various levels were defined as follows:

– Level 1: Quoted prices (not adjusted) in an active market for identical instruments.
– Level 2: Observed data, direct or indirect, not included in Level 1 above.
– Level 3: Data not based on observed market data.

Derivative instruments are measured at fair value using a Level 2 valuation method – observable data, directly or indirectly, which are not included in quoted prices in an active market for identical instruments. See Note 28.D.1 for further details.

Level 3 financial instrument measured at fair value

	As at December 31, 2021 Level 3 $ Thousands	As at December 31, 2020 Level 3 $ Thousands
Asset		
Long-term investment (Qoros)	-	235,218

(3) Data and measurement of the fair value of financial instruments at Level 2 and 3

Level 2

The fair value of forward contracts on foreign currency is determined using trading programs that are based on market prices. The market price is determined based on a weighting of the exchange rate and the appropriate interest coefficient for the period of the transaction along with an index of the relevant currencies.

The fair value of contracts for exchange (SWAP) of interest rates and fuel prices is determined using trading programs which incorporate market prices, the remaining term of the contract and the credit risks of the parties to the contract.

The fair value of currency and interest exchange (SWAP) transactions is valued using discounted future cash flows at the market interest rate for the remaining term.

The fair value of transactions used to hedge inflation is valued using discounted future cash flows which incorporate the forward CPI curve, and market interest rates for the remaining term.

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The fair value of marketable securities held for trade is determined using the 'Discounts for Lack of Marketability' ("DLOM") valuation method, which is a method used to calculate the value of restricted securities. The method purports that the only difference between a company's common stock and its restricted securities is the lack of marketability of the restricted securities which is derived from the price difference between both prices.

Level 3

As at December 31, 2021, the fair value of the long-term investment (Qoros) was based on the present value of the expected cash flows. Included in the long-term investment (Qoros) are the 12% interests in Qoros (as described in Note 9.3) and the put option (as described in Note 9.2). For the purposes of management's fair value assessment of the long-term investment (Qoros), management takes into consideration factors including market risk and credit risk exposures, publicly available information and financial information of the New Qoros Investor and Qoros for the year ended December 31, 2021.

As at December 31, 2020, the fair value of the long-term investment (Qoros) described in Note 9.3, was based on the market comparison technique using the following variables:

- The *underlying revenues estimate* is based on Qoros' 2021 budget.
- The *EV/Revenues multiple* of 1.7x was calculated using the enterprise value as of the valuation date, divided by the trailing 12-month net sales of relevant comparable companies in China based on latest public financial information available.
- The *enterprise value* was based on financial information extracted from unaudited Qoros management accounts as of the valuation date.
- The *equity investment* is calculated based on Kenon's 12% interest in Qoros.
- The *discount for lack of marketability* is 15.1%, and is calculated using an average volatility of 45.6% based on a time period of 2.26 years (remaining contractual term of the put option as described below).

Note 28 – Financial Instruments (Cont'd)

The following table shows the valuation techniques used in measuring Level 3 fair values as at December 31, 2021 and 2020, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable data	Inter-relationship between significant unobservable inputs and fair value measurement
Long-term investment (Qoros) (2021)	The Group assessed the fair value of the long-term investment (Qoros) using the present value of the expected cash flows.	The likelihood of expected cash flows.	The estimated fair value would increase if the likelihood of expected cash flows increase.
Long-term investment (Qoros) (2020)	The Group assessed the fair value of: (1) the equity interest using a market comparison technique based on market multiples derived from the quoted prices of companies comparable to the investee, taking into consideration certain adjustments including the effect of the non-marketability of the equity investments; and (2) the put option using standard valuation techniques such as: Binomial model using risk free rates from market information suppliers.	- Adjusted market multiples. - The Group researched on data from comparable companies on inputs such as expected volatility and credit risk.	The estimated fair value would increase (decrease) if: - the period end price is higher (lower) - the volatility is higher (lower) - the credit risk is lower (higher)

Note 29 – Subsequent Events

1. Kenon

A. Release of pledged OPC shares

In March 2022, majority of OPC shares that were previously pledged as part of the Inkia sale described in Note 25 were released. Refer to Note 17.A.i for further details.

B. Sale of ZIM shares

In March 2022, Kenon sold approximately 6 million ZIM shares for total consideration of approximately $463 million. Kenon is still assessing the financial impact of the sales. As a result of the sale, Kenon now holds a 20.7% interest in ZIM (20.3% on a fully diluted basis).

C. Capital reduction

Kenon will seek shareholder approval for a capital reduction at its forthcoming annual general meeting to return share capital amounting to $10.25 per share ($552 million in total) to Kenon's shareholders, subject to and contingent upon the approval of the High Court of the Republic of Singapore.

2. ZIM

A. Dividend

In March 2022, ZIM's board of directors approved a cash distribution of $17.00 per share (an aggregate amount of approximately $2 billlion), payable to ZIM's shareholders of record as of the close of trading on March 23, 2022, to be paid on April 4, 2022. Kenon expects to receive $503 million ($478 million net of tax).

Statement of financial position of the Company

	Note	2021	2020
		$'000	$'000
Non-current assets			
Investment in subsidiaries	32	539,864	512,152
Investment in associate	33	184,164	191,069
Other non-current assets		219	96
Right-of-use asset, net		714	28
		724,961	703,345
Current assets			
Prepayments and other receivables	34	2,643	2,518
Cash and cash equivalents		229,691	222,068
Total current assets		232,334	224,586
Total assets		957,295	927,931
Equity			
Share capital	18	602,450	602,450
Capital reserve		8,906	8,649
Accumulated profit		146,700	306,101
Total equity		758,056	917,200
Non-current liability			
Long-term lease liability, representing total non-current liability		644	-
Current liabilities			
Trade and other payables	35	6,074	5,995
Dividend payable	18.D	188,607	-
Accruals		3,814	4,704
Current maturities of lease liability		100	32
Total current liabilities		198,595	10,731
Total liabilities		199,239	10,731
Total equity and liabilities		957,295	927,931

Note 30 – Basis of preparation

30.1 Statement of compliance

The statements of financial position have been prepared in accordance with the Group's basis of preparation (see Note 2 of consolidated financial statements).

Note 31 – Significant accounting policies

The accounting policies set out below have been applied consistently to the statements of financial position.

31.1 Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiaries are stated in the Company's statements of financial position at cost less accumulated impairment losses.

31.2 Investment in associate

Associates are entities in which the Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of another entity. In assessing significant influence, potential voting rights that are currently exercisable or convertible into shares of the investee are taken into account.

Associates are stated in the Company's statements of financial position at cost less accumulated impairment losses.

31.3 Impairment

An impairment loss in respect of subsidiaries and associate is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Note 32 – Investment in subsidiaries

	2021	2020
	$'000	$'000
Investment at cost[1]	170,377	106,193
Loans to subsidiaries, at cost[2]	465,081	463,509
Impairment losses	(95,594)	(57,550)
	539,864	512,152

1 As described in Note 1.A, in 2015 Kenon and IC entered into a Separation and Distribution Agreement. As part of the spin-off under the agreement, certain IC subsidiaries were transferred to the Company by means of issuance of shares. The cost of subsidiaries transferred was recorded in the Company's balance sheet based on their underlying book values. As at December 31, 2021, the unquoted equity investment of $170 million includes net liabilities at the date of the spin-off, of those remaining subsidiaries transferred to the Company under the spin-off. During the year, Kenon increased its investment in OPC by $64 million (refer to Note 10.A.1.p for further details).

2 In 2021, Kenon was issued a capital note by Quantum for approximately $1.6 million. The capital notes are classified as equity by Quantum, and hence treated as capital by Kenon.

The movement in the allowance for impairment in respect of investment in subsidiaries during the year was as follows:

	2021	2020
	$'000	$'000
At January 1	57,550	68,932
Impairment charge	38,044	1,023
Reversal of impairment charge	-	(12,405)
At December 31	95,594	57,550

In 2021, as a result of the assessment described in Note 9.5, Kenon fully impaired its investment in Quantum to zero, resulting in an impairment charge of $38 million. In 2020, as a result of the sale described in Note 9.3, there was a reversal of impairment charge of $12 million in Quantum. In addition, there was an additional write down in IC Green of $1 million.

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Principal place of business	2021	2020
			%	%
I.C. Power Asia Development Ltd[1]	Investment holding	Israel	100	100
IC Power Ltd.	Investment holding	Singapore	100	100
Kenon TJ Holdings Pte. Ltd.	Investment holding	Singapore	100	100
Kenon UK Services Ltd	Management services	United Kingdom	100	100
OPC Energy Ltd.[2]	Generation of electricity	Israel, United States	58.76	62.06
Quantum (2007) LLC	Investment holding	United States	100	100
IC Green Energy Ltd	Investment holding	Israel	100	100

1 I.C. Power Asia Development Ltd ("ICPAD") is currently in the process of liquidation.

2 In 2021, Kenon's interest in OPC decreased as a result of shares and rights issuances by OPC. Refer to Notes 10.A.1.o and 10.A.1.p for further details.

Note 33 – Investment in associate

	2021	2020
	$'000	$'000
Investment at cost	184,164	191,069

Name of associate	Principal activities	Principal place of business	Ownership interest	
			2021	2020
			%	%
ZIM Integrated Shipping Services Ltd.	Shipping services	International	25.76	32

Following an improvement in the shipping industry in 2020, a write-back impairment of $71 million was recognized in 2020 to fully reverse the remaining impairment loss charged in 2016. Refer to Note 8.B.a.9 for further details.

In 2021, Kenon sold approximately 1.2 million ZIM shares, resulting in a decrease of $7 million in investment at cost and a gain on sale of $60 million. Refer to Note 8.B.a.5 for further details. As part of its IPO in January 2021 and due to options exercised during the year, ZIM issued approximately 20 million shares in 2021. Refer to Note 8.B.a for further details. For financial information on ZIM, refer to Note 8.A.1.

Note 34 – Prepayments and other receivables

	2021	2020
	$'000	$'000
Amount due from subsidiaries, non-trade[1]	1,697	1,954
Prepayments	790	545
Other receivables	156	19
	2,643	2,518

1 These amounts are unsecured, interest free and repayable on demand.

Note 35 – Trade and other payables

	2021	2020
	$'000	$'000
Trade payables	-	99
Amount due to subsidiaries, non-trade[1]	6,059	5,854
Other payables	15	42
	6,074	5,995

1 Mainly relates to a loan due to ICPAD that is unsecured, interest-free and repayable on demand.

Note 36 - Financial instruments

Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- market risk
- liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management. Management is responsible for developing and monitoring the Company's risk management. Management reports regularly to the Board of Directors on its activities.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's cash and cash equivalent, other receivables and deposits.

The carrying amount of financial assets in the statement of financial position represents the Company's maximum exposure to credit risk. The Company does not hold any collateral in respect of its financial assets.

The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A- (or equivalent) and above by independent rating agencies.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate because of changes in market interest rates. The Company's exposure to changes in interest rates relates primarily to the Company's cash balances placed with financial institutions. The Company has no significant exposure to interest rate risk.

Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the Company's functional currency, the US dollar (USD). The currencies in which these transactions primarily are denominated are Chinese yuan (CNY), British pound (GBP), Israel shekel (NIS) and Singapore dollar (SGD).

In respect of other monetary assets and liabilities denominated in foreign currencies, the Company's policy is to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

Note 36 – Financial instruments (Cont'd)

Exposure to currency risk

At the reporting date, the Company's exposure to significant foreign currency risk was as follows:

	2021	2020
	$'000	$'000
Cash & cash equivalents (SGD)	1,119	842
Other receivables (SGD)	153	96
Trade and other payables (NIS)	(50)	(5,523)
Trade and other payables (GBP)	(245)	(256)
Accrual (SGD)	(82)	(47)
Accrual (NIS)	(176)	(72)
Accrual (GBP)	(3)	(4)

Sensitivity analysis

A weakening (strengthening) of the foreign currency, as indicated below, against the US dollar at December 31 would have increased/(decreased) profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

	Profit or loss for the year ended December 31,	
	2021	2020
	$'000	
SGD (5% strengthening)	60	44
NIS (5% strengthening)	(11)	(280)
GBP (5% strengthening)	(12)	(13)
SGD (5% weakening)	(60)	(44)
NIS (5% strengthening)	11	280
GBP (5% weakening)	12	13

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors its liquidity and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

Note 36 – Financial instruments (Cont'd)

The contractual obligations of financial liabilities as at financial year end are as follows:

	Carrying amount $'000	Contractual cash flows $'000	Up to 1 year $'000	1 – 2 years $'000	2 - 5 years $'000
At December 31, 2021					
Financial liabilities					
Trade and other payables	6,074	6,074	6,074	-	-
Dividend payable	188,607	188,607	188,607	-	-
Accruals	3,814	3,814	3,814	-	-
Lease liability including interest*	744	848	170	339	339
	199,239	199,343	198,665	339	339
At December 31, 2020					
Financial liabilities					
Trade and other payables	5,995	5,995	5,995	-	-
Accruals	4,704	4,704	4,704	-	-
Lease liability including interest*	32	32	32	-	-
	10,731	10,731	10,731	-	-

* Includes current portion of long-term liability

It is not expected that the cash flows included in the maturity analysis above could occur significantly earlier, or at significantly higher amounts.

Exhibit 99.4

Kenon Holdings Ltd.
(Incorporated in the Republic of Singapore)
(Company Registration Number 201406588W)

IF YOU HOLD YOUR KENON SHARES THROUGH THE TEL AVIV STOCK EXCHANGE (THE "TASE"), PLEASE COMPLETE AND RETURN THE BOTTOM PORTION TO KENON C/O GORNITZKY & CO VIA FAX AT +972-3-560-6555, ATTENTION: ARI FRIED, ADV. OR BY EMAIL TO: KENONPROXY@GORNITZKY.COM, ALONG WITH YOUR OWNERSHIP CERTIFICATION SIGNED BY YOUR TASE CLEARING HOUSE MEMBER. IF YOU HOLD YOUR KENON SHARES IN "STREET NAME" THROUGH A BROKER, BANK, NOMINEE, OR OTHER INSTITUTION, BUT DO NOT HOLD YOUR KENON SHARES THROUGH THE TASE, DO NOT COMPLETE AND RETURN THE BOTTOM PORTION. YOUR BROKER, BANK, NOMINEE OR OTHER INSTITUTION WILL SEND A VOTING INSTRUCTION FORM FOR YOU TO USE TO DIRECT HOW YOUR KENON SHARES SHOULD BE VOTED.

Using a **black ink** pen, mark your votes with an **X** as shown in this example. ☒
Please do not write outside the designated areas.

Annual General Meeting Proxy Card

▼ **IF VOTING BY MAIL, SIGN, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.** ▼

A Proposals — The Board of Directors recommends a vote FOR Proposals 1(a) - (h), 2, 3, 4, 5 and 6.

1. Re-Election of Directors:

	For	Against	Abstain
1(a) - Ducau	☐	☐	☐
1(b) - Bonnier	☐	☐	☐
1(c) - Charney	☐	☐	☐
1(d) - Cohen	☐	☐	☐
1(e) - Fine	☐	☐	☐
1(f) - Foo	☐	☐	☐
1(g) - Kaufman	☐	☐	☐
1(h) - Sen	☐	☐	☐

	For	Against	Abstain
2. Re-Appointment of Statutory Auditor for the Financial Year Ending December 31, 2022 and Authorization of Our Directors (which may act through the Audit Committee) to Fix Their Remuneration	☐	☐	☐
3. To Authorize the Ordinary Share Issuances	☐	☐	☐
4. To Authorize the Grant of Awards Under the Kenon Holdings Ltd. Share Incentive Plan 2014 and/or Options Under the Kenon Holdings Ltd. Share Option Plan 2014 and the Allotment and Issuance of Ordinary Shares	☐	☐	☐
5. To Approve the Renewal of the Share Purchase Authorization	☐	☐	☐
6. To Approve the Capital Reduction in Respect of the Distribution	☐	☐	☐

Number of Shares Voted [ ]

☐ **PLEASE MARK THE BOX TO THE LEFT IF YOU WOULD LIKE TO APPOINT A PROXY, OTHER THAN THE CHAIRMAN OF THE ANNUAL GENERAL MEETING, TO VOTE YOUR SHARES. YOU WILL ALSO NEED TO COMPLETE PAGE 2.**

IF VOTING BY MAIL, YOU MUST COMPLETE SECTIONS A - B

B Authorized Signatures — This section must be completed for your vote to be counted. — Date and Sign Below

Please sign exactly as your name(s) appears hereon or, if you hold your Kenon shares through the TASE, as your name appears in the proof of ownership certificate signed by your TASE Clearing House Member. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title. Kenon is entitled to reject the proxy card if it is incomplete, improperly completed, or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the proxy card.

Date (mm/dd/yyyy) — Please print date below.	Signature 1 — Please keep signature within the box.	Signature 2 — Please keep signature within the box.
/ /		

Annual General Meeting Admission Ticket

Kenon Holdings Ltd.

Annual General Meeting of Shareholders

May 19, 2022, 4:00 PM (Singapore Time)

1 Temasek Avenue #37-02B
Millenia Tower
Singapore 039192

Upon arrival, please present this admission ticket and photo identification at the registration desk.

IF YOU HOLD YOUR KENON SHARES THROUGH THE TEL AVIV STOCK EXCHANGE (THE "TASE"), PLEASE COMPLETE AND RETURN THE BOTTOM PORTION TO KENON C/O GORNITZKY & CO VIA FAX AT +972-3-560-6555, ATTENTION: ARI FRIED, ADV. OR BY EMAIL TO: KENONPROXY@GORNITZKY.COM, ALONG WITH YOUR OWNERSHIP CERTIFICATION SIGNED BY YOUR TASE CLEARING HOUSE MEMBER. IF YOU HOLD YOUR KENON SHARES IN "STREET NAME" THROUGH A BROKER, BANK, NOMINEE, OR OTHER INSTITUTION, BUT DO NOT HOLD YOUR KENON SHARES THROUGH THE TASE, DO NOT COMPLETE AND RETURN THE BOTTOM PORTION. YOUR BROKER, BANK, NOMINEE OR OTHER INSTITUTION WILL SEND A VOTING INSTRUCTION FORM FOR YOU TO USE TO DIRECT HOW YOUR KENON SHARES SHOULD BE VOTED.

IF YOU WOULD LIKE TO APPOINT A PROXY, OTHER THAN THE CHAIRMAN OF THE EXTRAORDINARY GENERAL MEETING, TO VOTE YOUR SHARES,
▼ PLEASE SIGN, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. ▼

Kenon Holdings Ltd. (Incorporated in the Republic of Singapore) (Company Registration Number 201406588W)

Proxy Solicited by Board of Directors

Personal Data Privacy

By submitting an instrument appointing a proxy and/or representative, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated April 27, 2022.

Proxy

I/We ________________________ (Name) of _________________________ (Address) hereby appoint ________________________ (Name) of _________________________ (Address) and/or ________________________ (Name) of _________________________ (Address) or failing the person, or either or both of the persons referred to above, the Chairman of the Annual General Meeting, in respect of _________________________ number of Kenon shares, as proxy(ies) of Cede & Co. to attend, speak and vote on behalf of Cede & Co., and if necessary to demand a poll at the Annual General Meeting of Kenon to be held at 1 Temasek Avenue #37-02B, Millenia Tower, Singapore 039192 on May 19, 2022, and at any adjournment thereof.

Shares represented by this proxy will be voted at the Annual General Meeting and any adjournments in the manner described herein. If no contrary indication is made, the Proxy(ies) will have authority to vote FOR Proposals 1(a) to (h) and Proposals 2 to 6.

In his/her/their discretion, the Proxy(ies) is/are authorized to vote upon such other business as may properly come before the meeting.

(Items to be voted appear on reverse side.)

Important Reminder

Due to the constantly evolving COVID-19 situation in Singapore, Kenon may be required to change its arrangements for the Annual General Meeting at short notice. Shareholders should check Kenon's website at http://www.kenon-holdings.com/ for the latest updates on the status of the Annual General Meeting.